

BANK EXAMINATIONS, ETC.

At the convention of the Illinois Bankers' Association, held last month in St. Louis, Mr. Wm. George, of Aurora, retiring president, occupied the chair, and there were 740 delegates and guests present. The president-elect is Mr. E. D. Durham, of Onarga. A feature of the occasion was an address by Hon. Wm. B. Ridgely, comptroller of currency of the United States. His subject was "Bank Examinations and Failures." We select a couple of the humorous incidents with which he illustrated his address:

Humorous Incidents.

In spite of the seriousness of bank examinations and failures, they have their humorous sides and incidents, too, like almost everything else, and we have some very queer cases. One small bank of \$25,000 capital and \$20,000 surplus had about \$150,000 of deposits, making about \$195,000 total funds available. One man owned all the stock, but enough to qualify four other directors, and ran the bank himself. The examiner reported that he had loaned \$150,000 or more to one concern or group of concerns, which he also owned and ran, the collateral being receipts for cotton and cotton seed. Of course, a very strong letter was sent him at once, and he came to the Comptroller's office in person. He explained that good loans were hard for him to get, and that what he had done was absolutely safe, and the best thing he could do with the money. He saw the cotton and cotton seed every day; it was all insured, the bank was protected by a wide margin in price, which was true, and the money could be had on demand by shipping the cotton any day on an hour's notice. He said to the Comptroller nothing could be safer than those loans. "I would rather have the notes than money any day. I could not do anything with the money I would know so much about; and, my Lord, Mr. Comptroller, don't I know whether or not I am going to pay myself that money when I want it?" He was told if the money could be collected so quickly and easily he must do it at once and reduce his loan to the legal limit. This he did within a few days. He was doubtless right about the loan being good, and I doubt if he yet realizes the impropriety of loaning himself so much of other people's money when he was so dead sure he would pay it back to himself when he needed it.

Another bank in the cattle country, prosperous and otherwise in excellent condition, had an enormous overdraft by one man, which was criticized severely by the office. The president of the bank, who was East, came to answer the letter in person, and proved to be a character almost equal to Owen Wister's Virginian. He told the Comptroller all the circumstances of the transaction. The man who owed the money and he had gone West together. Both had been cowboys, and they had slept side by side on the ground, sometimes with only one blanket for the two. They had saved money together, and had been partners in cattle raising. The proceeds of this overdraft had bought a lot of cattle this old partner was grazing, and expected to feed and fatten. The banker had no interest with him now, but he saw the man almost every day and the cattle frequently. He said: "Mr. Comptroller, that man isn't going to cheat me. He would not move those cattle off if he could, and could not if he would, without my knowing it. I know that man is as honest as any man that ever lived. Me and him know each other better than most husbands and wives know each other. He knows me and I know him better than his Maker. I know he will pay me that money when he sells the cattle, and he knows I would kill him if he didn't. That overdraft is just as good as his note, so what is the use of my taking a note? If I did, he would not want to pay me but twelve per cent., and now he is paying me eighteen." A slight difference of six per cent. must rather appeal to men who sometimes loan at two, or even one per cent., on stock, however, which you count by shares rather than by the head, and in markets where bulls are, perhaps, even on the weakest days, more plentiful than steers. It is possible also that the contemplated means necessary as a last resort to enforce the ultimate responsibility should be given

some consideration in determining a proper remuneration for the service rendered. I took some pains to learn the result of this operation, and was glad to know that the cattle did well, and the cattle man paid the overdraft and had a good profit left after paying his old partner eighteen per cent.

Value of Knowing Your Customers.

As a matter of fact, our cowboy banker had in his own way applied a true principle of banking credit to this transaction, and in spite of the surroundings the relation between them was the ideal one between a banker and his customer, based on a thorough knowledge of each other. He knew his customer and his business thoroughly, and he knew he was worthy of the credit he gave him. If the same relation could exist between all bankers and their customers, there would be less need of bank examinations and all the precautions I have been discussing.

The point I wish to emphasize, however, is that the responsibility for bank management is by the law placed upon the board of directors. By accepting a place on a bank board and taking the oath of office, a man accepts this responsibility, and swears he will diligently and honestly administer the affairs of the association. He is under every moral and legal obligation to perform his duty fully and completely. If every board of bank directors in the country, both National and State, would fully realize the importance of the trust reposed in them, and diligently, as well as honestly, do their full duty by the bank, failures of such institutions would be exceedingly rare. It is certainly not asking too much of men who accept such trusts that they simply do their plain sworn duty.



ANSWERS TO ENQUIRERS.

Accountant, Ottawa.—The paragraph on page 616 of last issue was written hurriedly, upon receipt of the Montreal figures by telegraph at eight on Friday morning last, and was based upon a rapid glance through the pages of our Bank Clearing Register for 1902-3-4. Now that we have had more time to look over the statistics we find the opinion then expressed, that the Canadian bank clearings for the week of November 10th were the largest ever known in Canada, was so nearly correct that the total has been only surpassed once, and that by a fractional amount, namely, in the week ended 9th July last year, when the aggregate clearings of Canadian banks were \$67,927,824, whereas last week's clearings were \$67,675,689. We append a group of the larger totals of weekly bank clearings for the last three years; the average has been growing steadily:

Aggregate Bank Clearings.

Week ended October 9, 1902.....	\$62,371,616
" " January 8, 1903.....	64,071,380
" " June 18, 1903.....	64,904,733
" " July 9, 1903.....	67,927,824
" " November 12, 1903.....	60,659,879
" " October 13, 1904.....	62,464,880
" " November 10, 1904.....	67,675,689

T. G. H., London, and R. R., Montreal.—The booklet you mention as reviewed last week, "The Art of Wise Investing," is published by John Moody Publishing Co., 35 Nassau Street, New York. We do not know that it is on sale in Canada.

F. C. B., Windsor.—Will write you after enquiry. It is not an easy matter to advise upon. Our present impression is that it will be safer to take the money now.

Bank Official, Truro, N.S.—The total stock of money in the United States, which was \$2,763,052,000 at 1st January last, has increased to \$2,848,292,000 at the 1st November. The Bankers' Magazine, of New York, gives the following particulars as at the beginning of the present month: Gold coin and bullion, \$1,363,047,081; silver dollars, \$567,795,589; silver bullion, \$2,494,572 (it was \$11,579,000 in January); subsidiary silver, \$110,993,172; United States notes, \$346,681,016 (the same during all the year); National Bank notes, \$457,281,500. Total, \$2,848,292,930.