

"of goods, wares and merchandise or engage or be engaged in
"any trade or business whatsoever, and it shall not either
"directly or indirectly purchase or deal in or lend money or make
"advances upon the security or pledge of any share of its own
"capital stock or of the capital stock of any bank, and it shall not
"either directly or indirectly lend money or make advances upon
"the security, mortgage or hypothecation of any land, tenements
"or immoveable property or of any ships or other vessels or
"upon the security of any goods, wares and merchandise."

The principle involved in these exceptions is accepted by the bankers as sound and not to be departed from. It is this, that as the bulk of a bank's liabilities is payable to depositors on demand or at short dates, the monies received from depositors shall not be tied up in loans upon, or purchases of, real estate or goods, or otherwise be so used that they cannot be readily converted so as to meet the demands of depositors. The prohibition against lending on the bank's own stock involves the same principle, and the prohibition against engaging in trade, in addition to involving this principle, involves the foundation principle of all sound banking, viz., that a bank's mission is to supply the borrowing business wants of those engaged in trade and to assist, but not to compete with them in developing the resources of the country.

The prohibition against lending upon the stocks of other banks is a wise provision, as but for it a bank unscrupulously managed and having a capital of say \$1,500,000 might organize another bank with a capital of say \$500,000, and might take and pay for the whole \$500,000 of stock. The result would, of course, be that for all practical purposes the two banks would be one and the joint paid-up capitals would really be only \$1,500,000, while they technically would be two banks with joint capitals equal to \$2,000,000. Power to issue notes to the extent of \$2,000,000 would, therefore, exist whereas this power should really be for \$1,500,000 only. Other evils might also result if this prohibition were removed.

The cases expressly mentioned in the Act which form the exceptions to the prohibitions referred to are in harmony with the principles to which I have alluded. Power to hold real estate for the proper carrying on of the business of a bank is of course a necessary incident to its existence, and power to take security on real and personal property for existing liabilities properly