of their contents into the elevators by the thousands of freight cars, departure of trains of empty cars for the West and arrival of other train loads from the wheat fields—the twin cities will wear an exceedingly busy aspect. And in the course of two or three weeks their activity in this respect will begin to have an influence on the money markets in Montreal and Toronto. For the sight drafts drawn by Winnipeg and other western grain companies on Montreal, Toronto, and New York houses will then be beginning to arrive in considerable numbers. On arrival of the cargoes at the seaports, of course, many sterling bills of exchange are available for negotiation in New York. It is said that the grain loans of the banks have been exceptionally large during the past winter; and that the release of funds during May and June will be on a correspondingly large scale. However, there are various industries which require large advances at this season of the year; and loans to them and to the importing houses will absorb a goodly proportion of the funds received from the millers and elevator companies. Nevertheless the repayment of the grain loans should ensure that there will be no marked or notable stringency during the early summer at any rate.

THE SUPERVISION OF LOANS AND CREDITS BY THE CANADIAN BANKS.

(Sir Edmund Walker, before the Institute of Bankers, London).

I do not know what may be the opinion of outsiders regarding the carefulness or otherwise with which the lending operations of Canadian banks are carried on. It is a time of great expansion, and it might be natural to suppose that the requirements of customers would be vaguely considered and the relations between banks and customer ill-defined and sometimes beyond the control of the banker. Doubtless there is a considerable percentage of bad banking in Canada as in other new countries, but I doubt whether banks in any country are as a rule more explicit in the establishment of credits or do so upon more complete information. Let me explain the system of one bank which has been successfully carried out over a series of years. The borrower is expected to have only one banker, or if the account is very large and there are two or more bankers, there is a clear agreement as to their respective shares of the bank advances. A bank credit is never established for more than one year, and expires on a particular day. The manager in charge of the account is expected to arrange for its renewal before the date of expiry. If this is not done, the account falls automatically into the irregular class and is under the eye of the superintendent's department until the credit is re-established. A new credit or a renewal of a credit will not be considered without the balance sheet for the year being submitted, together with as full a statement of profit and loss as is obtainable. I am speaking of credits involving direct advances not covered by securities or by bills of other parties for merchandise sold. When the practice of demanding a balance sheet from every customer who desired direct loans was put into operation, it was said that it would not succeed. But it has been found that, no matter how wealthy the customer may be, he can be induced to give his full confidence to the banker from whom he is, by his application from a credit, asking practically the same thing. In lending the entire requirements of a timber business, for instance, where a large expenditure in the forest precedes extensive milling operations, sums are advanced, sometimes with no other security than the mere obligation of the customer, which would sound large even to an English banker. The basis for the credit may be mainly the experience of the banks over a series of years, during which every payment out of the business and all receipts for merchandise sold, pass through the bank account. Each year, the balance sheet is presented, and many of its features can be roughly checked by the bank account itself. The branch manager is expected to re-value the items in the balance sheet and to analyse it so as to separate the liquid from the fixed assets. If the liquid capital—that is the surplus of liquid assets over the floating debts—is not sufficient to warrant the belief that once a year the loans will be paid in full, the credit requires at least unusual justification.

The Policy of the Banks.

There are, of course, some trades in which payment of advances once a year would not be wise or natural, but we have been most agreeably surprised at the extent to which, in the last five or ten years, we have succeeded in establishing this as a most important factor in credits. We are, fortunately, forbidden from lending on real property, although it may be taken as security for an existing debt, and long experience has taught the Canadian banker to beware of advances which rest even partially upon the plant or buildings or any of the fixed assets of the borrower. In other countries, such banking may be both safe and wise, but our policy is to lend by established credits only the money necessary to produce and carry the merchandise to market. Now, if a customer deals with only one bank, pays for all materials and labour in cash, makes all payments by cheques on his bank, exhibits once a year his balance sheet and profits, and at the same time discusses at length the various features of his business for the purpose of having his credit re-established, it is not difficult to lend him very large sums with safety. In addition to the analysis of the balance sheet, comparisons are made with several previous years, and, as all correspondence is conducted on special forms, with only one subject on each form, and everything is typewritten—the carbon copies of one side of the correspondence being filed with the originals of the other side—the banker can, in a moment, have before him in the correspondence and the analysed balance sheet, practically all that he needs to know. All except the quite small credits are discussed with the board of directors and the system makes it possible to deal with a large number of credits at each sitting.

It is announced that the Merchants Bank of Canada will establish a branch in Walkerville, Ont. The bank has acquired a lot on which to erect its own building.