

Clearing Houses

QUESTION 194.—1. Why have no clearing houses been established at Quebec and Ottawa?

2. Would it not be advisable to put them in operation wherever there are five banks or more?

ANSWER.—1. We think clearing houses would unquestionably be found to serve a very useful purpose at the points mentioned; but for an answer to the enquiry why they have not been established we must refer our correspondent to the local banks concerned.

2. We think that in any place where there are (say) seven banks established, a clearing house would economize time and labour greatly. They might with advantage be established where the number is less, but the economy would not be so marked, nor the gain very great. We see no difficulty in establishing them in places where settlements are not made by legal tenders. The rules of the Hamilton clearing house on the point of settlement are suited to places where balances are settled by drafts on Montreal or other central points.

Notes of a bank circulated in a district where it is not represented

QUESTION 195.—The Bank of X has a small capital and its circulation limit is frequently reached. The notes of another bank not represented in the district are paid out by it, and as a result the other banks in the neighborhood receive large amounts of these bills and are obliged to pay express charges to the nearest point of redemption.

Is not this a violation of the spirit of the Bank Act and also in some sense unfair to the public, who accept these bills in good faith, and find that they cannot exchange them for legal tenders or gold? Why should not other banks in the district refuse to receive such bills except at a discount?

ANSWER.—We think that the wrong to the public may be left out of consideration, as they take the bills voluntarily in payment of debts due them, for which they have the right to exact payment in legal tender money.

The question as to the duty of the issuing bank in such a case as this, is, however, open to discussion. We think that they might very well undertake to redeem for the time being all notes of the kind they are circulating, and it would seem clear that this could usually be done without loss. If, however, the matter could not be amicably arranged in this way, we would think