

erly made it impossible to do anything but bow to the demands of competition. This is the way the case is put by the companies, which are opposed to participating business. The "Travellers," is one, and another large United States company has decided to follow the lead of the "Travellers."

The fundamental principle of the subject is scarcely that of the advantage or disadvantage of participating business. The most essential point is the manner in which the companies are conducted. If a company is well-managed the policyholders may benefit by a participating policy, but on the other hand, a poorly conducted company is a dangerous one to take any kind of policy from, particularly one in which the insurance is made up partly of a share in the prospective profits of the company. It does not appear at present that there is any movement among Canadian companies to cease writing participating policies. A mutual company which is really mutually controlled can afford to continue participating business. On the other hand it is a healthy sign that stock companies are turning to non-participating business as it gives to the policyholder a safety which is only obtainable otherwise by personal control.

SHOULD GOVERNMENT INSPECT.

A well-known banker writes—With reference to the discussion regarding bank inspection, I have read with interest the letter of "Trustee" in your valued journal, and the remarks thereon. I have also read some other advice given to the Government and the banks in the newspapers on the same subject. I am inclined to join issue with "Trustee" on two or three points. In the first place what authority has he for saying that a bank inspector is seldom, if ever, a skilled accountant? Why should he not be a skilled accountant in his own particular line? Why should he not be a favorite of his general manager, and yet an independent personality? Did the employment of outside firms of chartered accountants, as "Trustee" suggests, prevent, in 1893, the suspension of nearly all the Australian banks,—a fact of which I was reminded the other day when an English friend remarked to me that his people had £80,000 or £90,000 invested in Australian banks, from which they had got no revenue since that unfortunate time?

All the chartered accountants can do in the way of certification of banks with many branches is to say that the balance sheet is a "full and fair one in their opinion and properly drawn up so as to exhibit the true and correct view of the standing of the bank's affairs, as shown by the books of the bank," or, as is given in another case, "We hereby certify that the above is in our opinion a true and correct statement of the affairs of the bank on (such a date)." The only certificates that I find from chartered accountants in which they say that they have examined the cash and securities of the bank are in the case of small country banks in England where there are no branches.

I cannot help thinking that "Trustee's" reference to the loan companies is an unfortunate one in the light of the great shrinkage in the price of the stock of some of the existing companies and of the disastrous failure of the Farmers' Loan Company, of Toronto, which may have occurred before the existing law was enacted. In my opinion the adoption of Government bank inspection would leave the situation worse than before because it would give a sense of security which might prove unavailing. I cannot help thinking that the Ontario's is an exceptional case, and that most of the banks are governed by a system of double responsibility.

AGAINST SHAREHOLDERS' AUDITING.

Editor Monetary Times:

Sir,—If you have room for a little of the breeziness of the West, I would like to add a few remarks to the discussion which has ensued since the Ontario Bank trouble.

I received this morning your issue of October 27th, and am moved to address you mainly on account of a letter signed, "Trustee," suggesting the appointment by the shareholders of professional accountants to report direct to them. I should dislike to see this recommendation carried out, because, I think, it is a step backwards.

The directors are appointed by the shareholders to carry on the business of the institution, and, if the share-

holders take upon themselves, through the appointment of professional accountants, the examination into its affairs, they simply relieve the directors of a very important part of their responsibility. Any change that is made should be in the direction of making the directors more definitely responsible than they are now, and not to lessen or throw any uncertainty about their responsibilities.

The appointment of independent auditors, inspectors, accountants, or whatever you may call them, is, however, very necessary; but their usefulness will depend largely upon the authority given to them and their being made independent of the other officials appointed by the board. The need throughout the discussions has been seen for direction by the directors. The question is: What are the proper instruments for them to use in order to accomplish efficient direction? I think it will be found in the appointment, by them, of auditors independent of the other officials of the institution, who will report direct to the board.

Under our present system the general manager has become the king of the institution. He is in a position to hoodwink the board of directors, and no other official of the company dare say a word to them as to the conduct of its affairs, no matter how bad he might know them to be.

This condition has been brought about doubtless by the general managers themselves, on the plea that you must allow that official freedom of action, and that you must trust somebody—very mistaken ideas; for, in the first place, the directors can, by the means suggested, keep themselves accurately informed as to what all the departments, including that of the general manager, are doing, and at the same time give him ample freedom of action; and in the second place the business must be conducted on the basis of fact and not of implicit trust in any one official.

In your article on "Direction: Detection" you answer the question, "Can the directors take immediate responsibility for the inspection of branches?" by saying, "Of course not." How is it that, in the case of railroads, an officer usually carrying the title of 4th vice-president, and, of course, reporting to the board of directors, takes this responsibility on his own shoulders, notwithstanding that the agencies of the large railroads are ten times over the number of agencies of our principal banks. This officer goes before his fellow directors and, by a report written on a small sheet of paper tells them clearly and without hesitation that he knows the monies of the company have been accounted for properly by these thousands of agents; and the small number of defalcations on the part of the railway agents might form food for reflection for the banks, notwithstanding the boasted Canadian banking system. I am told that one of our largest railways is so confident of the practical value of the services of their 4th vice-president in this connection that they do not deem it necessary to bond their agents; the system of examination and reporting and the way it is carried out being considered ample protection against defalcation or loss.

The fact of the matter is that system is of very little use unless it is backed up by personal supervision; and if the 4th vice-president of one of these railways brought his report before the board of directors without knowing that it was backed up by properly vouchered accounts from each of the agents, and certified sufficiently often as to personal examination, his directors would likely soon find themselves in as helpless a condition as the Ontario Bank, depending entirely on their system, (which is synonymous with their general manager) was in.

System and personal supervision coupled together will enable directors to accomplish much which has hitherto seemed impossible. But the board must have in its composition at least one man who, by experience and training, has learned how these things should be done, and the majority of them should be selected on account of their capability, and not for their wealth, social position, etc.

The shareholders in this connection have the matter entirely in their own hands. They originate the trouble by accepting anything the directors lay before them, even to the election of the directors themselves, and take for granted whatever the directors tell them the general manager has told them. Vigilance is the price of security and the exercise of it by shareholders, as well as directors, would help.

Why cannot the boards of directors of banking institutions appoint one of themselves, an expert in this line, as supervisor of inspectors, with a title commensurate with the dignity and authority of the position, to report to the board in the same way as the railway 4th vice-president? Their doing so will give them protection against themselves and against excessive authority and fraud on the part of their general manager or loss through their agencies. Government inspection is necessary for the protection of depositors and I suppose the reason it did not protect the Ontario Bank will be found to be inadequate personal inspection; but the directors and shareholders have the means and should take steps to protect themselves independently.

ACCOUNTANT.

British Columbia, October 31, 1906.

BANKING AND FINANCE

The Traders Bank expects to open its new quarters at Toronto about the middle of the month.

The action against the Peoples Association, of London, Ont., over the stock transactions, has been postponed.

The Union Bank of Canada intends to build a new branch at Brandon in the spring on the corner of Eleventh Street; opposite the Market Square. The site cost \$400 a foot.

Mr. John F. Grant, a cashier, with St. Stephen's Bank of New Brunswick, died at St. Stephen, N.B., last week. He had taken a vacation for the past thirty years of his business during that time.

The decline in Government bonds is wide rather than local. Consequently the price is keeping rather high. A short time ago they were sold at 86, French 3 per cents. at 95 per cents. at 86½, Russian 3½ per cents. at 100. The special use of the bonds of the United States is exceptionally high. The 2 per cents. States, for example, October 27th, were at 130, and the 4 per cents. at 130.

A "bank in your pocket" is the slogan of the Bank of Canada. The pocket bank is in leather, looking like a pocket diary, and edged in gilt. Each bank is numbered and can be opened only at the Crown Bank. It admits the small change of the deposit, or the depositor is ready to deposit the bank and opens an account.

The annual report of the affairs of the Qu'Appelle Land Co. shows that the company's assets is proceeding satisfactory. Outstanding contracts for sales have for the past year to over \$57,000, which, with forward from last year and interest, amounts enabled the directors to repay \$55,917 during the year. The directors at special deposit a sum sufficient to pay off the balance of the company's capital \$3 per share to the shareholders by way of dividend.

ON THE LADDER

Mr. J. C. Darnborough, formerly of Toronto Union Station, has been appointed to the C. P. R. Eastern lines.

A farewell party was given last week to the teller in the Sovereign Bank, Havelock, transferred to the same position in Amherstburg.

A Bowmanville paper boasts that the Royal Bank into that town, all the "are managed by Bowmanville boys." The chief of the Royal is the latest appointee.

Mr. John D. Cameron, teller of the Windsor, Ont., for the past nine months, has become accountant in the office of the Mich. Mr. Cameron is a native of Detroit, a professional accountant, and will succeed Mr. Cameron of the Windsor branch of the Canadian Bank.

A gentleman who has made many trips to Quebec is Mr. A. Kleczkowski, a French Canadian. He leaves Montreal for Montevideo, the capital of Uruguay, having been appointed plenipotentiary in the South American States.

NEW DEPUTY MINISTER

The successor to Mr. Courtney as Deputy Minister of the Dominion is Capt. T. C. Fielding, in the prime of life. He has been in the Department since 1883, was promoted to the rank of secretary in 1905. He was Fielding at the Coronation ceremonies in Toronto. He is a Toronto University graduate, an ensign in the rank of adjutant in the 1st Battalion of the Canadian Rifles, and was a member of the Canadian Rifles in 1893 and 1895, wearing a Queen's badge.

The newly appointed assistant deputy minister is a Nova Scotian, a graduate of the University of Toronto, and a member of the Ontario Bar. He was practised law at Bridgewater until 1905, when he was appointed secretary of the Life Insurance, which is the Capital.