

6. Shareholders appoint auditors, or if an appointment is not made at an annual general meeting the executive council of the Canadian Bankers' Association may, on the application of shareholders representing one-twentieth of the paid-up capital of the bank, appoint them, such auditors to have right of access to books, accounts, etc., and to report to the shareholders.

7. A bank may lend money to a receiver or liquidator.

8. Changes in the directorate and management to be notified to the Minister of Finance.

9. Annual returns of shareholders to include their last known post office addresses and descriptions and the amount paid on their holdings.

10. Directors and chief officers signing statements, accounts, etc., are made responsible, civilly and criminally, for ascertaining their accuracy.

11. Use of word "bank" or its equivalent is more rigidly restricted.

Of these the most important provisions are the shareholders' audit, the making of directors and chief bank officers both civilly and criminally responsible for the accuracy of the statements they sign, and the more rigid restriction of the use of the word "bank" and its equivalents. It is probable that around the question of the shareholders' audit, the most animated discussion and keenest criticisms will centre. This provision, as Sir Wilfrid Laurier remarked in introducing the new bill, and as the wording of the section shows, is based upon English models. The provision appears a moderate one, but we are inclined to agree with views already expressed that the methods proposed for the application of the audit leave something to be desired. The appointment of auditors at an annual meeting would be a natural and normal thing, but an application at some other time to the Canadian Bankers' Association by shareholders representing 5 per cent. of a bank's capital is a different matter. Such action would be construed as a suspicion by the shareholders concerned of the management of the bank, and that might easily result seriously.

Obviously, the value of the audit will depend upon the qualifications of the auditors, but, in any event, as THE CHRONICLE has frequently insisted when discussing this question, no auditor can possibly pass upon the value of collateral, and if this cannot be done, it is quite possible that the audit may mislead, unless its limitations are thoroughly understood by shareholders. We commend to the ardent advocates of bank audits, Sir Edward Clouston's remark at the recent Bank of Montreal meeting. "No amount of legislation," said Sir Edward, "will guard against the fallibility of the personal factor and keep men from being fools or knaves."

The new legislation prohibits the unauthorized use of any words in a foreign language equivalent to the word "bank" or similar terms in a sign or in an advertisement or in a title to represent or describe a business. This section, if enforced, as it should be enforced, will do excellent work in clearing the country of what are euphoniously, though inaccurately, known as "immigrant banks"—places where deposits are received from and other business transacted with foreign immigrants, particularly from Southern Europe. The Immigration Commission of the United States has lately issued a very informing report on the operations of these so-called banks in various centres in the United States, where there is a large foreign population, and the circumstances disclosed, which may, we believe, be paralleled to some extent in Canada, certainly warrant action.

In some cases the new legislation imposes duties upon the banks, which the latter are already doing voluntarily, e.g., the form of annual statement issued by many of the banks is very similar to that required by the new legislation.

SUMMARY OF NEW PROPOSALS CONTAINED IN THE BILL.

INCORPORATION AND ORGANIZATION OF BANKS.

Section 12 requires ten days public notice before the opening of the stock books of a new bank, and subsection 2 authorizes the provisional directors in their discretion to open the stock books, elsewhere than at the chief office, "in Canada or in the United Kingdom or in any of the British colonies or possessions." The following sub-sections are new:—

3. Each subscriber shall at the time of subscription give his post office address, and description, and these particulars shall appear in the stock books in connection with the name of the subscriber and the number of shares subscribed for.

4. There shall be printed in small pica type, or type of larger size, on each page in the stock books upon which subscriptions are recorded, and on every power of attorney authorizing the recording of a subscription in the stock books, on such part of the page, and of the power of attorney as may be readily seen by the person recording or authorizing the recording of his subscription, a copy of section 125* of the Act.

*The section providing for the double liability of shareholders.

SECTION 13.

Proposed New Section.

13. Whenever a sum not less than five hundred thousand dollars of the capital stock of the bank has been *bona fide* subscribed, and at least ten per cent. of such subscription has been paid in money by each subscriber, the total of such payments being a sum not less than two hundred and fifty thousand dollars, and as soon thereafter as the provisional directors have paid thereout to the Minister the sum of two hundred and fifty thousand dollars, the provisional directors may, etc.

Existing Section.

13. So soon as a sum not less than five hundred thousand dollars of the capital stock of the bank has been *bona fide* subscribed, and a sum not less than two hundred and fifty thousand dollars thereof has been paid to the Minister, the provisional directors may, etc.

The following sub-sections of section 16 are new:

2. If stock books have been opened and subscriptions in whole or in part paid but no certificate from the Treasury Board obtained within the time limited by the preceding sub-section* no part of the money so paid or accrued interest thereon shall be disbursed for commissions, salaries, charges for services or for other purposes, except a reasonable amount for payment of clerical assistance, office rental, stationery, postage and expenses of travel, if any, unless it is so provided by resolution of such subscribers at a meeting convened after notice, at which a majority in interest of such subscribers are present or represented by proxy.

3. If the amount allowed by such resolution for commissions, salaries or charges for services be deemed insufficient by the provisional directors, or if, for any reason, no resolution for such purpose be passed, after a meeting has been duly called, then the provisional directors may apply to a judge of any superior or county court having jurisdiction where the chief office of the bank is fixed by its Act of incorporation, to settle and determine all charges and the reasonableness of the amount of the disbursements already made to which such money and interest, if any, shall be subject before distribution of the balance to the subscribers.

*One year from the passing of the Act of incorporation.

Further sub-sections cover the giving of notice to subscribers in these events. They may be represented by proxy at the meeting and heard by counsel or in person in court.