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BANK DEFALCATIONS.

Just about a month ago, the paying teller of a New York city trust company took his suit case with him on a Saturday morning going to work, kept it in his teller's box all forenoon, filled it with the trust company's cash, and on finishing his work for the day, calmly absconded with his booty; none of the other officers taking the slightest interest in his proceedings. The mode of operations was delightfully simple and easy. Its prevention, moreover, was quite as simple and quite as easy. Between fifteen and twenty years ago something the same happened at an important branch of a Canadian bank—the only variation being that a different receptacle was used for carrying off the plunder. Suit cases were not so common then. Defaulting bankers usually filled their valises.

Even before this occurrence, some of our banks had regulations under which it was the duty of the manager, or of his deputy the accountant, at every branch to see that the teller put his cash in its proper place in the safe at closing time. And after the object lesson had been given, needless to say, there was quite a general tightening up of the rules covering this particular risk. The branch manager then had to satisfy himself that the teller had practically all his cash in his tin box at closing, and was required to accompany the teller with it to the safe and to see the latter properly closed and locked.

The defalcation in New York caused some discussion in the leading financial papers as to whether or not dishonesty of this kind was on the increase in American banks. And a short time previously there was some little argument about the effect produced on the integrity of bank officials by the system of fidelity bonds in use, one side taking the ground that the knowledge that he was bonded would tend to make a bank clerk dishonest inasmuch as it would show him that he was not trusted. It is hardly necessary to produce evidence against this latter contention. In Canada there is hardly any difference of opinion on the point. Everybody is agreed that the fidelity

bonds are desirable in every way. And when all the employes, from the general manager down, are bonded, none can take it as an indication of lack of trust that he is required to furnish a bond. The other discussion, however, as to whether bank defalcations are becoming more numerous, has more interest. So far as the Dominion is concerned they seem to be decreasing. And that is what should be expected. The bulk of the banking business is in the hands of some thirty banks established years ago. Their executive officers are on the watch constantly for better safeguards and better methods. Their long experience teaches them where the danger from defalcation principally lies, and their efforts are bent towards devising systems of protection. All the new branches established get the benefit of the skill and experience that have been acquired. The regulations by which they are governed are the same as those governing branches that have existed for 40 years. The one comprehensive system embraces practically all the branch banks in the country.

As the banking business develops along with the development of the country new practices creep in, in response to public demand; and sometimes there are openings for fraudulent practices until the banks learn by experience how to adapt their protective system to the changed conditions.

It only needs a glance to tell that conditions in the States are different. In the course of a year some four hundred or more new national banks are organized, to say nothing of private banks and trust companies. In a great many instances these new banks are very small concerns. The men who organize them have little or no knowledge of the banking business, having been engaged perhaps all their lives in some other calling. They could hardly be expected to be familiar with the various tricks and devices by which bank officers defraud their employers. So it is pretty safe to assume that, taking the United States banks as a whole, their discipline is not so strict, their code of regulations not so complete nor so closely enforced as in Canada. In other words the opportunity for defalcation is much greater in the States than in the Dominion. And it would not be at all surprising if, with the great increase in the number of banks, many of them loosely run, quite a considerable increase in the defalcations should take place. On the other hand, in Canada, it does not at all follow that an increase in defalcations should follow or accompany an increase in the number of banking offices. Taking all countries it generally happens that defalcations are more numerous during periods of great activity and speculation. If there are wide movements in prices of certain stocks or commodities, or in real estate, and large profits made very quickly by speculators