

CANADIAN CLEARING HOUSES.

Their Function—How They Are Operated—Records and Comparisons of Their Figures.

Canada has thirteen clearing houses, and they are well distributed throughout the country. Halifax was the first centre in the Dominion to inaugurate a clearing house; that was in 1886. Calgary and Edmonton are the two latest; both these Western cities formed theirs in 1906. Here is a complete list.

Clearing House	Commenced Business.
Calgary	1906, 18 April
Edmonton	1906, 11 July
Halifax	1886, 1 July
Hamilton	1891, 15 June
London	1902, 1 June
Montreal	1889, 7 January
Ottawa	1901, 9 September
Quebec	1901, 1 May
St. John	1906, 1 May
Toronto	1891, 21 July
Vancouver	1898, October
Victoria	1898, 2 November
Winnipeg	1893, 4 December

Millions of dollars annually pass through the clearing houses. Here are the figures for the past few years and the first six months of 1908.

1905	\$3,335,595,401
1906	3,997,969,065
1907	4,325,441,616
First Half Year 1908	1,855,349,740

To bankers generally and to a few business men, the functions of the clearing house are well-known. To many of our readers, some details concerning the mission of the clearing house will prove interesting. Mr. H. M. P. Eckardt has given a complete description of its utility and its working in the serial story of Canadian Banking Practice now appearing in these columns.

Therein he has explained that in the principal cities every bank in the country is represented by a branch or by a redemption agent, so practically everything in the way of bank notes can be cleared daily. Then, every day's mail and express from the branches and correspondents brings in a large number of cheques on other banks, and a number of parcels of other banks' notes. When everything has been sorted and the deposits for the other banks all prepared for sending out there will be, perhaps, twenty-five or more parcels. Before the clearing house was instituted these parcels had to be sent, each one to the bank it was intended for, and each other bank would have to send its deposit in exchange; after the twenty-five exchanges were effected every bank would have to settle probably twenty-four differences per day with each of the other institutions. Under the clearing house system the parcels are all sent to the clearing house, or place appointed for the exchange of parcels. Each parcel will have pinned to it a ticket stating the amount of the contents and the name of the bank it is intended for. The clearing clerk sent out by the bank will bear with him a sheet containing a list of the amounts sent by his bank to the respective other banks, the name of each bank being set opposite its amount. These are added together; the total represents the bank's clearing for the day. Arrived at the clearing house, there will be seen a circular row of twenty-five compartments or boxes, each compartment bearing the name of a bank, and giving room for one man. The clearing clerks take possession of the compartments belonging to their respective banks, and the messengers or clerks sent to accompany them begin their rounds. Each one in succession calls at every compartment and delivers the parcel for that bank. As he does so, with each parcel he presents the clearing sheet, and takes upon it the initial of the clerk receiving it. When the clerk has gone the rounds he will have divested himself of all his parcels and will have on the clearing sheet the receipt of an accredited representative of each bank.

In the meantime the clearing clerk will have been receiving the parcels delivered by each one of the other banks. When all are received he enters the amount shown by the ticket attached to each one on another sheet, opposite the name of the bank from whom it was received. When all are entered, the items are added and the total represents what the bank must give credit for. The difference between this and the total of its clearing sheet represents the balance it will have to pay or receive at the clearing bank.

Thus economy is effected through using the clearing house. All the exchanges are made at the central place instead of being made separately with each institution.

After the sheets are balanced and the difference or balance which each bank has to pay, or receive, arrived at, the sheets and slips are handed to the clearing house manager and balanced. The total of the debit balances should balance with the total of the credit balances. Everything being found correct, the manager signs a slip for each bank, stating the amount of the debit or credit balance it has to pay, or receive, and the clearing is completed.

The messengers and clerks from each bank hurry home with the parcels they have received, and the clearing house sheets that contain the records of them. They are given to one of the tellers, and the contents of each parcel are carefully examined to see that the amount claimed to be there is actually there. There will be in each a list of cheques and bordereaux, with specification of cash. The cash is counted, and the cheques ticked off on the list. The ledger-keepers examine the cheques to see that the signatures are authentic, the endorsements in order, and that funds are held for them. If any item is missing, if there are any cheques in the lot for which there are not sufficient funds, or if there is a shortage in the cash of any parcel, demand is made direct upon the bank that sent the parcel, and it has to send over cash to rectify the mistake. If it does not do so, the bank can, if it chooses, stop the settlement of balances at the clearing bank until its claim is satisfied. At a certain fixed time, usually from twelve o'clock to half-past twelve, the debtor banks must pay in their balances at the clearing bank. Then from half-past twelve till one, provided the clearings have not been stopped, and provided all the debtor banks have duly settled their balances, the creditor banks appear and draw what is coming to them.

It will be remembered that the panic in New York was precipitated by the fact becoming known one day that the Mercantile National Bank of New York had been unable to meet its balance at the clearing house in that city. As failure to meet a balance promptly would be tantamount to a confession of inability to meet obligations, all the banks are most particular to be prompt in their payments. The operation of meeting these balances furnishes a daily test of the solvency and preparedness of every bank in Canada. In the event of any bank becoming straitened for cash, probably the first indications would be seen at the clearing house.

As an index to the country's volume of business, the clearing house figures are of great value. During the first half year of 1908, it will be seen, from the following table, there has been a decided decline in the totals:

CLEARING HOUSE	First Half Year, 1905	First Half Year, 1906	First Half Year, 1907	First Half Year, 1908
Calgary		\$9,562,847	\$34,502,915	\$26,291,773
Edmonton		22,756,484	17,320,541	17,320,541
Halifax	\$41,575,528	43,931,923	43,434,180	43,686,068
Hamilton	31,540,830	31,144,714	43,170,152	34,397,924
London	23,901,439	27,709,091	32,460,446	28,067,093
Montreal	627,150,249	732,489,873	737,122,578	669,492,988
Ottawa	55,865,072	61,094,973	76,036,883	72,775,763
Quebec	39,984,031	43,344,528	48,318,052	51,395,440
St. John	24,344,064	27,388,246	32,554,579	29,934,139
Toronto	502,424,023	588,376,381	622,778,452	520,635,652
Vancouver	38,219,379	54,705,894	86,866,667	82,468,596
Victoria	17,824,982	19,864,742	25,975,821	26,785,118
Winnipeg	146,205,582	208,839,335	269,955,081	252,098,645
TOTALS	\$1,549,035,179	\$1,843,452,547	\$2,075,932,290	\$1,855,349,740

*18th April to June 30th, 1906.