

BANKING & FINANCIAL NEWS.

TO AMEND BANK ACT.

Notice Given in Parliament to Revise Our Banking Legislation.

The following resolution will be moved in Parliament by Mr. Pringle (Cornwall and Stormont). Notice of this resolution was given last week:—

"That in the opinion of this House it is an opportune time to consider the advisability of amending and revising the Bank Act, and that the following, among other amendments, should receive consideration."

(Mr. Pringle's proposed amendments are printed in black type; for the reader's convenience the chief clauses of the Bank Act referring to each, are printed beneath each proposal.)

(A) To provide for Government inspection.

Section 54 of the Bank Act reads, in part: "At every annual meeting of the shareholders for the election of directors the outgoing directors shall submit a clear and full statement of the affairs of the bank, exhibiting, on the one hand, the liabilities of or the debts due by the banks, and, on the other hand, the assets and resources thereof."

Clause 1 of Section 56 reads: "The books, correspondence, and funds of the bank shall, at all times, be subject to the inspection of the directors."

(B) To provide more stringent regulations as to circulation.

Clause 3 of Section 61 reads: "The total amount of such notes, in circulation at any time, shall not exceed the amount of the unimpaired paid-up capital of the bank."

Clause 5 of Section 62 provides that the amount of the notes of a bank at any time in circulation in any colony or possession, issued under the provisions of the section, shall form part of the total amount of the notes in circulation.

By Section 63 the bank may not, pledge, assign, or hypothecate its notes; and no advance or loan made on the security of the notes of a bank is recoverable from the bank or its assets.

Section 74, in part, reads: "The moneys heretofore paid to and now deposited with the Minister of Finance by the banks to which this Act applies, constituting the fund known as the Bank Circulation Redemption Fund, shall continue to be held by the Minister for the purposes and subject to the provisions in this section mentioned and contained."

2. The Minister shall, upon the issue of a certificate under this Act authorizing a bank to issue notes and commence the business of banking, retain, out of any moneys of such bank then in his possession, the sum of five thousand dollars, which sum shall be held for the purposes of this section until the annual adjustment hereinafter provided for takes place in the year then next following.

3. The amount at the credit of such bank shall, at such next annual adjustment, be adjusted by payment to or by the bank of such sum as is necessary to make the amount of money at the credit of the bank equal to five per centum of the average amount of its notes in circulation from the time it commenced business to the time of such adjustment, and such sum shall thereafter be adjusted annually as hereinafter provided.

4. The amounts heretofore, and from time to time hereafter paid, to be retained and held by the Minister as by this section provided, shall continue to form, and shall form, the Circulation Fund.

5. The Circulation Fund shall continue to be held as heretofore for the sole purpose of payment, in the event of the suspension of a bank of payment in specie or Dominion notes of any of its liabilities as they accrue, of the notes then issued or re-issued by such bank, intended for circulation, and then in circulation, and interest thereon."

(C) That all chartered banks shall provide a special reserve fund for the security of depositors.

This is a new idea.

(D) To make provision as to percentage of capital and reserve that may be loaned to any one borrower.

Section 88, Clauses 1 and 3 read as follow: "The bank may lend money to any wholesale purchaser or shipper of or dealer in products of agriculture, the forest, quarry and mine, or the sea, lakes and rivers, or to any wholesale purchaser or shipper of or dealer in live stock or dead stock and the products thereof, upon the security of such products, or of such live stock or dead stock and the products thereof.

The bank may lend money to any person engaged in business as a wholesale manufacturer of any goods, wares and merchandise, upon the security of the goods, wares and merchandise manufactured by him, or procured for such manufacture."

(E) To make provision for the percentage that a bank may loan to its combined directors.

Section 18 reads: "The shareholders of the bank may regulate by by-law the following matters incident to the management and administration of the affairs of the bank: (h) The amount of discounts or loans which may be made to directors, either jointly or severally, or to any one firm, or person, or to any shareholders, or to corporations."

(F) To limit the amount of interest or discount that banks may contract for.

Section 91 of the Bank Act reads: "The bank may stipulate for, take, reserve, or exact any rate of interest or discount, not exceeding seven per centum per annum, and may receive and take in advance any such rate, but no higher rate of interest shall be recoverable by the bank."

Section 92 reads: "The bank may allow any rate of interest whatever upon money deposited with it."

(G) To revise the powers of the Bankers' Association.

Section 124 reads: "The Bankers' Association may, at any meeting thereof, with the approval of two-thirds in number of the banks represented at such meeting, if the banks so approving have at least two-thirds in par value of the paid-up capital of the banks so represented, make by-laws, rules and regulations, respecting,—

(a) All matters relating to the appointment or removal of the curator, and his powers and duties;

(b) The supervision of the making of the notes of the banks which are intended for circulation, and the delivery thereof to the banks;

(c) The inspection of the disposition made by the banks of such notes;

(d) The destruction of notes of the banks; and

(e) The imposition of penalties for the breach or non-observance of any by-law, rule or regulation made by virtue of this section.

2. No such by-law, rule or regulation, and no amendment or repeal thereof shall be of any force or effect until approved by the Treasury Board.

3. Before any such by-law, rule or regulation, or any amendment or repeal thereof is so approved, the Treasury Board shall submit it to every bank which is not a member of the Association, and give to each such bank an opportunity of being heard before the Treasury Board with respect thereto.

4. The Association shall have all powers necessary to carry out, or to enforce the carrying out, of any by-law, rule or regulation, or any amendment thereof, so approved by the Treasury Board."

BANKER'S VIEW OF PROPOSALS.

The bankers of Canada have not, as yet, taken any great notice of the proposals to amend the Bank Act. They recognize the importance of Mr. Pringle's resolution and also that it is a matter requiring much thoughtful consideration. Speaking of the proposed amendments, a Toronto bank manager said to the Monetary Times yesterday:—"First is the question of Government inspection. That is a subject with which experts should deal. Much evidence was brought to light at the last revision of the Bank Act. The proposal to provide more stringent regulations as to circulation, I regard as a most delicate matter. It is to every bank's interest to see that its circulation is conducted properly. A special reserve fund for security of depositors is something new; its establishment might tend to reduce their interest. I think the Canadian bank depositor is one of the best off in the world. This has been proved again and again. As to percentage of capital and reserve that may be loaned to any one borrower, that is a matter of policy for the bank, just as it would be in the case of any other business. A provision as to the percentage a bank may loan to its combined directors would be, I think, a good one."

Object to Interest Proposal.

Naturally, bankers would be averse from limiting the amount of interest or discount for which banks may contract. Some elasticity in this matter is necessary. I know of one instance where a bank's customer asked for an additional \$20,000 last summer. When the bank quoted him a somewhat high rate of interest, he refused to borrow on these