

THE BANKING SYSTEM OF THE DOMINION

NO. II.

WE endeavoured, in a previous article to point out the importance of so protecting the creditors of Banks as to create the utmost confidence on the part of those likely to entrust their money for safe keeping to the chartered institutions of the country.

These creditors may be divided into three classes, although their interests are interwoven in such a way that one class can not be in danger of suffering loss without jeopardizing the claims of the others. These three classes are, the note-holders, the depositors, and the other banks, these last being after all a combination of the other two classes, as being the holders of bank notes and certified cheques against deposits.

The note-holders, though not the largest creditors, either individually or collectively, are the most entitled to protection. No man need necessarily place his money on deposit with any bank, or if it seems imperative that he should do so, he can make his selection, and run little or no risk. It is different with the note-holder. Very few men are in a position to refuse, in payment of debts due to them, bank notes which commonly pass current in the community of which they are members: any person doing so would be looked upon as mad, and a candidate for Beausport. Practically, though not theoretically, or in the eye of the law, bank notes are legal tender, as between man and man, and consequently, as the recipient holder of a note is not in a position to protect himself, must as far as possible be protected by the Government, which delegates the power of issuing notes to the chartered banks.

There is another reason why the note-holders should be the first consideration. They are a very numerous class, embracing as a majority of their number people in the lower, poorer, or less educated ranks of life—people who to a proverb are most timid and ready to take fright. Now if it be known to all that, even in case of failure of a bank, no loss can accrue to the man or woman who happens to be possessor of a promise to pay of that bank, it is certain that no one will put himself out of the way to make that sure which he already knows to be safe beyond a doubt. And if the circulation be made secure, the danger of a run from depositors is greatly lessened, as ordinarily the panic pervading the one class communicates itself to the other, and as the demand on the bank for redemption of notes and deposits is all the time rendering more hazardous the position of those who are still its creditors, it is only natural that during a run panic should continually be increasing in intensity, until the bank either closes its doors, or demonstrates its ability to redeem all its obligations.

As we have shewn, the second and most important class of bank creditors—the depositors—have less claim to the protection that Government can afford them. As far as they are concerned, no exceptional power is given to the bank, and men every day deposit their money with private as well as with chartered banks. Especially will this apply to those—and they form the largest division of this class—who receive interest on their deposits. Nevertheless, it is for the highest interests of the country that bank failures, or any other financial disturbances, should occur as seldom as possible; and besides, as we have already argued, it is very important that the security offered to attract capital in the shape of deposits should be undoubtedly good. The deposits not bearing interest amount to nearly fifteen millions, and as interest to a considerable extent is paid on deposits payable on demand without previous notice, it is probable that not less than sixteen or seventeen millions are held by the banks on call. The locking up of any large proportion of this sum, as might happen through failure in a financial crisis of a few of the larger banks, would be most disastrous, and its possibility makes desirable legislation to prevent it.

The third class of bank creditors consists of those banks who happen in the daily settlements amongst themselves to hold balances against the others. These are generally quite competent to look after their own interests: and, in practice, we think it is the debtor banks who have most need for protection. And, in this connection, we may say that the power at present in the hands of the Government Bank is much too great as regards the other banks. We believe this is admitted by members of the Government, that even Mr. Rose will not deny it; but there seem to be difficulties in the way of dividing the Government account. It is urged that it would complicate the accounts, and also that if at any time circumstances

rendered it necessary to raise a loan from the banks, it would be much less convenient to negotiate with a number of cashiers or managers, than it would be with a single individual, as the manager of the Bank of Montreal. But these objections are exceedingly trivial, if it can be shewn that the public good demands a division on some fair principle of the Government account. A very simple, and as it seems to us equitable, plan has long since been suggested, namely, to deposit in each bank, each day, the notes of and cheques upon that bank. This would effectually prevent any one institution having the power, by means of heavy receipts from customs or inland revenue or otherwise, to obtain commanding claims against the other banks. We hope the Government seeing the necessity of making some change will adopt this or some other system; and there can be no doubt that now when they have large balances to their credit, and no floating debt, is the most favourable time they could under any circumstances have for making the change.

MERCHANTS' BANK OF CANADA.

ANNUAL MEETING.

The annual general meeting of the stockholders of the Merchants' Bank of Canada was held in the banking house, Montreal, yesterday, at twelve o'clock. The President, Hugh Allan, Esq., occupied the chair.

The PRESIDENT read the following report of the Board of Directors:

The statements of the affairs of the Bank now submitted are evidence that its progress during the year has been satisfactory.

In the face of the numerous bankruptcies that have occurred during the last year it must not be supposed that this Bank could have escaped scatheless. So far from this being the case it is a fact that the Bank sustained several not inconsiderable losses, but the Directors determined at once, and without hesitation, to write off from the profits a sum that after the severest scrutiny satisfied not only themselves, but their principal officers, would meet and cover every probable shortcoming.

The shareholders may therefore accept the assurance that so far as can be seen at present, the assets of the Bank are good value for what they represent.

Fair progress continues to be made in the realization of the assets received from the Commercial Bank. The apparent result of the arrangement of amalgamation continues to encourage the belief that the original expectation will be realised.

The statements on the table show the present position of the Bank. The rest has attained the respectable figure of \$700,000, and there seems every prospect that it will continue to increase.

During the late sitting of the Legislature, several measures came before it, materially affecting the interests of the Banks.

The Directors, regarding the continuance of the Act relating to Insolvency as a great and nearly unmixed evil, petitioned the Legislature for its total repeal. This was not acceded to, and the Act was amended, but not, in the opinion of the Directors, materially improved.

The Banking and Interest measures introduced had fortunately to be withdrawn, the latter being of such a retrograde character as to excite surprise that in this age of financial knowledge, any party could be found to support it.

The Act of Incorporation establishes the Capital of the Bank at \$6,000,000—of this only \$4,000,000 has been offered for subscription, or taken up.

The Directors now invite the Shareholders to subscribe the remaining \$2,000,000, and with this view a series of resolutions will be submitted for your approval.

In conformity with the Act of Incorporation, the following Directors retire at this meeting—Messrs. Damase Masson, Andrew Allan, Adolphe Roy, and Hugh Fraser, all of whom are eligible for re-election.

The By-Laws of the Bank have been re-

modelled, and are now to be submitted for your consideration.

All which is respectfully submitted,
HUGH ALLAN,
President.

Montreal, July 5, 1869.

GENERAL STATEMENT MERCHANTS' BANK OF CANADA, 19TH JUNE, 1869.

LIABILITIES.

Circulation	\$1,148,510.00
Deposits bearing interest	\$1,928,025.33
Deposits not bearing interest	1,267,611.18
	3,195,636.51
Balances due to other Banks and Foreign Agents.	169,274.21
Dividends unclaimed	3,931.60
Dividend No. 3....	143,334.40
	147,266.00
	4,660,686.72
Capital paid up...	3,585,426.87
Rest	700,000.00
Contingent Fund...	62,549.00
Interest Reserved.	10,100.00
	\$9,018,762.59

ASSETS.

Gold and silver coin on hand...	\$864,871.11
Provincial Notes on hand	431,943.00
	1,206,814.11
Notes and cheques of other Banks.	200,340.42
Government Securities	533,606.22
	2,030,760.75
Real Estate	360,279.34
Notes discounted and other debts not otherwise included	6,627,722.50
	\$9,018,762.59

Montreal 19th June, 1869.

The President, in answer to a shareholder who remarked on the rumours of heavy losses made by the Bank during the past year, said that \$165,000 written off covered all the losses.

It was then moved and carried unanimously that the report be approved of and printed for circulation amongst the shareholders of the Bank.

The By-Laws of the Bank, as remodelled and already adopted by the Directors, were read and adopted clause by clause.

Resolutions were then submitted and adopted, authorizing the Directors to open Books for the subscription of the two millions of capital still remaining unsubscribed for. By the 3rd Resolution, each shareholder on the last day of June, 1869, is entitled to subscribe at par, half as much additional stock as he then held. Only ten per cent. of the subscriptions are to be called in, payable at time of subscription, unless it should seem to the Directors that the interest of the Bank required further calls, which are to be of not more than ten per cent. with intervals of not less than three months between them.

A motion by Mr. Crawford, seconded by Mr. Joseph McKay, "That it is expedient that the transfer books be opened for the inspection of shareholders," was lost after discussion.

The retiring Directors were re-elected, and at a subsequent meeting of the Board, Mr. Hugh Allan was elected President, and Mr. Edwin Atwater, Vice-President.

ORIGIN OF THE WORD DUN.—This familiar word is derived by some from the French verb *dunnes*, meaning *give*; by others from the old Saxon word *dunon*, to *clame*, but both of these derivations are wrong. It took its rise from a famous English bailiff, named Joe Dunn, in the time of King Henry the VIII., who plied his hard trade of collecting doubtful debts with remarkable success. As a last resort creditors would threaten to put Dunn on their debtors, and hence the phrase of *dunning*, which has continued to our day.