

LLOYD'S BANK AND CANADA

By H. M. P. Eckardt.

In several Canadian papers reference has been made to the action taken by Lloyd's Bank at Birmingham, England, on June 9th, when at a special meeting the articles of the association were altered to "permit of the opening of branches or auxiliary institutions in New York, Canada, Paris and Hamburg, or to acquire interests operating in those places." This news was published by some papers in Canada under headings which implied that the big English bank might open some branches in the Dominion; one leading daily in Montreal said editorially, in reference to it, that a movement of this kind represented British reciprocity to which even a Canadian autonomist should not object.

Now it is quite clear that those Canadian paragraphs which convey the impression that this bank may open branches in Canada are spreading an impression which is not correct or accurate. The editors probably were not aware of, or had forgotten, the fact that no companies or individuals can establish offices designated "banks" in Canada, for the transaction of banking business, unless they first procure charters from the Dominion Parliament and comply with the requirements of the Canadian Bank Act.

Canadian Banks in London.

There is nothing to prevent Canadian banks from establishing branches in London, and as a matter of fact six of our banks are now represented by branches at the Imperial capital. These are the Montreal, Commerce, British, Royal, Dominion and Union. London has branches of banks belonging to nearly all of the important countries except the United States. Owing to the peculiar nature of the United States banking system its representation abroad is necessarily of an insignificant character.

As the Canadian law thus forbids the establishment in the Dominion of branches of outside banking institutions, it is proper to discuss the several methods by which such a bank as Lloyd's might obtain a foothold in Canada. One way would be through the organization of a new corporation. For example, it would be open to the bank to organize a new corporation, calling it, say, Lloyd's Bank of Canada, the English Lloyd's Bank contributing all or the greater part of the capital. So long as the parent institution had the majority of the stock it would control the destinies of the offshoot. Thus it might offer part of the stock to its own shareholders in England and it might also offer stock in Canada.

Could Comply With Law.

There is no doubt that this powerful bank could easily comply with the requirement of our banking law, which stipulates for a subscribed capital of \$500,000 and a paid up capital of \$250,000 before the certificate of permission to begin business could be asked of the Ottawa Treasury Board. And it does not seem at all likely that the Treasury Board would be disposed to withhold permission for the advent of such powerful British interests to the Canadian banking field.

For the whole strength of Lloyd's Bank in England would be behind the Canadian concern. The question of the double liability and of a possible difficulty of enforcing it against stockholders resident outside of Canada should not constitute an obstacle. For if the Canadian concern proved to be unprofitable, or if it encountered such heavy losses as to impair its ability, as a separate corporation, to meet its liabilities in full as they accrued, the parent institution would be bound nevertheless to provide what was required. If it failed to do so its own credit in England would be seriously injured and that consideration would be sufficient to dictate its action. Then the Canadian concern, so formed, would have the right of note issue against general assets and all the privileges enjoyed by the Can-

adian institutions. It need not necessarily have Canadian directors. All that is required is that the majority of directors be British subjects.

Acquire Control of Bank.

Then another method of entering the Canadian field would be through acquiring control of an existing bank, possessing a Canadian charter. It would not be an easy matter for an outside institution, no matter how powerful it might be, to acquire control of one of the important banks. Their stock is very widely scattered, the average holding being very small, and it would be next to impossible to buy enough stock in the open market to carry control. The board of any well-established and prosperous Canadian bank would not likely consider a proposal for an outright purchase.

It might not be impossible to purchase one of the smaller institutions and to thus acquire its charter and rights. But it should be remembered that the purchase of a going bank would involve the purchasers in some risk, inasmuch as the loans and discounts they would be required to take over might not be worth the figures by which they were represented. And the officials of an English bank would perhaps not be qualified to pass judgment on the paper discounted at sundry towns in Canada. Indeed there is grave doubt as to whether Lloyd's Bank or any of the English banks have any desire to acquire a discount and loan business in Canada such as our own banks transact. It is a notable feature of English banking that the great movement of business from the small private banks to the large joint stock concerns has been accompanied by a marked change in the nature of the business done.

More Rigid Rules.

The private banks were accustomed to advance freely to their customers on personal security, but the joint stock banks which succeeded them insisted on specific security for advances. Thus Sir Felix Schuster, the governor of the Union of London and Smith's Bank, described the situation for the United States Monetary Commission as follows: "The London banks take the place of the purely private banker, the man who dealt with his own money and lent a great deal on personal security and nothing else. The joint stock institution has come in with more rigid rules, and they try to get security where they can, and they get it in most cases. I will not say that the general banking practice all over the Kingdom is to make no advance without security, and I could not say even in our own case there may not be some instances where there is no collateral, but they are an infinitesimally small proportion."

Now in Canada these loans on personal security are quite important, especially among the branches in farming communities. And any bank that wished to do an important business in the Dominion could scarcely avoid making them.

Could Purchase Stock.

Finally, an English bank like Lloyd's might acquire an interest in the Canadian banking field through purchasing a block of stock in one of the well-established banks, a block not large enough to carry control; in other words by doing as the Dresdner Bank did in the Sovereign case or as the Sperlins of London did in the case of the 5,000 shares of Molsons Bank stock. In this case they would have no control over the investment of their funds. Quite possibly this consideration would deter them from entering into such a transaction.

NOT ACTING AS CONSULTING ENGINEER.

Editor Monetary Times:—

Sir,—My attention has been called to an advertisement in The Porcupine Press referring to me as consulting engineer for the Peerless Porcupine Mining Co. I write to say that I am not and have not at any time been consulting engineer for this company, and if further reference is made to me in that connection I shall place the matter in the hands of my solicitors to take such proceedings against parties responsible therefor as may be necessary to protect my interests.

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