

a small average of loss can scarcely be too highly estimated.

We notice that the round sum of \$150,000 has been again set aside to meet possible losses. This is precisely the same sum that was set apart in 1873, and we think also in 1872. The amount set aside in 1871 was \$110,000. This will show a series of losses amounting to upwards of half a million in four years, and these four of the most prosperous years ever known in Canada. We have no hesitation in saying that this is very largely in excess of anything that ought to have taken place with watchful management and good general supervision. It is, too, a most unsatisfactory mode of dealing with the matter to put aside those round sums year after year, and when precisely the same sum is appropriated in two successive years, the conclusion is inevitable that results have been "guessed at" rather than arrived at by the thorough painstaking examination required; for it is scarcely possible that the real losses of the bank can have been exactly the same in 1873 as in 1872. The only businesslike mode of dealing with the matter is for the assets of the bank to be thoroughly overhauled previous to the annual meeting; on which occasion debts that are bad should be entirely written off, and such as are doubtful reduced to a safe amount.

The Merchant's Bank has only lately been organized on such a plan as to allow the general management opportunity for efficient supervision of the branches. It has for some years been noticed that, although the Bank had a very large number of branches, the business of the Montreal office was still conducted by the cashier. And it has been said that the bank would lose ten times as much in bad debts, through want of proper supervision, as would pay the salary of a manager of the Montreal office. We are inclined to think this opinion has been justified by events; that the bank, in fact, has gained \$5,000 a year, and lost \$50,000 for several years back.

The change that took place last year in the appointment of a local manager for Montreal cannot fail to be highly beneficial, and the stockholders will have a right to look for a very large diminution in the appropriations for losses from this time forward. Nothing 'pays' so well as efficient supervision, and, with such an immense number of branches as the Merchants now has, we imagine that such supervision will require

* The Bank, we observe, makes no provision for rebate of interest on current discounts; at least, we take it that the item of \$99,121, interest reserved, is for amount due to depositors. It adds \$150,000 to Rest, after paying 8 per cent. dividend, and its Rest now amounts to \$1,850,000 on a capital of \$7,300,000. A dividend of 8 per cent., we think, should satisfy the stockholders at present.

most of the time of the General Manager and two inspectors, in addition to the time that can be spared by the President from his own vast business and numerous other engagements.*

The Bank of Commerce reports another prosperous year, in spite of the unusual depression in some of the leading branches of Canadian industry. An addition of \$300,000 to the "Rest," after paying nine per cent. in dividends, and making full provision for all bad and doubtful debts, is a result that cannot but be highly gratifying to the stockholders of the institution. We are glad, also, to notice that a reserve has been made for rebate on current discounts, as well as for interest due to depositors, though it would have been better, we think, to have set aside the whole amount required to cover liabilities. As to interest due depositors, this is as much a liability as the principal, and the full amount, whatever it is, should appear in the annual balance sheet. As to rebate on current discounts, no balance sheet can be complete and accurate which does not reduce its various items to a clear cash value. It is really time that the old custom of treating notes discounted as if they were so much cash, were entirely abolished. The "Rest" of the bank now amounts to \$1,800,000. We think it would have been better to defer an increase of dividend until the "Rest" amounted to a larger proportion of the capital; for the bank has a most widely complicated business, taking into account its very large operations in New York and the Southern States. We observe that the Board is differently constructed for the coming year. The Vice-President, Mr. Howland, retires, and is succeeded by Mr. Wilkes as Vice-President, while Mr. Adam Hope, of Hamilton, and Mr. Barnhart, of Toronto, are added as new members to the Board.

The Union Bank of Lower Canada reports \$90,000 as added to the Rest, after paying eight per cent. dividend, and making provision for bad and doubtful debts. Provision is also made for interest due to depositors. We trust that full and ample provision is made in the first case, and that the full amount of interest is reckoned in the second. The Rest amounts to \$350,000 on a capital of \$1,900,000. Of course, additions will require to be made to it for some time to come to bring the ratio up to that which is generally considered sufficient.

One of the items of the Report is that the President and one of the Directors have recently made an inspection of the branches, and found them in a prosperous and satisfactory condition." On this we must remark that inspections so conducted are

often worse than useless. Experience has proved that trained officials are required in this department as much as any other, and we have no doubt that had such an official—say an inspector of one of the other banks—followed in the wake of these gentlemen, he would have found something which would have led them to modify their opinion that all was serene and satisfactory.

The Exchange Bank of Canada (Montreal) reports a sum of \$25,000 as carried to "Rest" account after paying eight per cent. dividend. This, on a capital of \$861,000, cannot be considered otherwise than a small amount. We notice, too, that instead of stating that bad debts are written off and doubtful ones written down or appropriated for, the Directors report a sum of \$20,000 as set aside for contingent account. This sum may be sufficient or it may not; but, as in the case of the Merchant's Bank, we cannot but condemn the policy of avoiding a thorough examination and an exact writing off. These round sums, set apart for estimated losses, are apt to prove delusive and insufficient. We think, too, that until provision had been made for interest liability to depositors, and for rebate on discounts, and the Rest had assumed respectable proportions, it would have been better to pay a smaller dividend. The Bank has very good names on its Board, and the Directors well know how to appreciate any opinion which has a bearing on the stability and efficiency of the Bank.

—We understand that the Royal Canadian Insurance Company have deposited \$200,000 in United States bonds in the Treasury Department, Washington, in order to comply with the requirements of the Insurance law of the State of New York.

Correspondence.

FINANCE AND BUSINESS IN NEW YORK.

(From our own Correspondent.)

NEW YORK, 13th July, 1874.

The sudden activity and advance in stocks and gold, referred to in my last letter, caused by the passage through Congress of the last Currency Bill, deemed by many an inflation measure, quickly reached its climax. On calm perusal of the bill its real character was more nearly apprehended, and above all it was necessary for the "bears" either to explain it away or to make out that it would really work a contraction in the currency. This they have done with considerable effect, aided by adverse decisions against the railroads in Wisconsin, and, more directly, by additional short sales at the advanced prices. The reaction was not long in setting in, and we have now returned to near the low level which we had reached previous to the last rise.

As far as gold is concerned, the advance to 11 15-16 was rather unaccountable, in the face