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THE BANK ACT.

The present indications go to show that the Bank Act, now passing through its last stages in the House of Commons, will not undergo important alterations from the form in which it emerged from the Banking and Commerce Committee. In detail, there may yet be some changes, but it would seem that we are now acquainted with the main outlines of the legislation under which the banking business of the country will be carried on for a term of years. On the whole, the new Act may be considered satisfactory. What has in fact been done is to leave untouched the main structure of the legislation under which a remarkable banking system has grown up, while modifications of detail have been introduced here and there as experience has shown to be necessary, to meet new needs, or, in some cases, in deference to a certain section of public opinion. The sound and fury which raged conspicuously on the platform and in the press prior to Parliament taking the Act in hand, have in the main come to nothing. That this is so, may be said to be in part due to the fact that in the present Minister of Finance the country has in charge of its financial affairs a well-informed and practical financier and not a mere theorist; partly because of the evidence given by the bankers themselves before the Banking and Commerce Committee. The fantastic proposals which had been put forward by so many amateurs, calling for an entire revolution in the banking methods of the Dominion, and elaborated with much bombast, tumbled like a house of cards under the stream of cold facts and the weighty opinions of the bankers as they were given in evidence. The bankers were able to show in short, that carrying on their business upon lines which have admittedly been of great benefit to the country, they are at the same time securing only a moderate profit, and that the adoption of some or other of the proposals put forward by the revolutionaries for the practical re-organisation of the banking system, would not only not be beneficial but would actually result in the hampering of the banks' operations, and the contraction of banking facilities to the country at large.

The present proposals for an outside audit of the banks, which form the most important point of difference between the existing and the new acts are in the nature of a compromise between the original proposals of the Minister of Finance and the views advanced by those who professed a firm faith in the infallibility of a system of inspection by the Government. What is now proposed is that the Canadian Bankers' Association shall draw up each year

a list of forty "persons deemed by them to be competent," any one of whom will be eligible to be appointed an auditor under the Act. The Minister, reviewing this list, may in his discretion disapprove the eligibility of any one of the forty either for a position on the list at all, or as an auditor of a particular bank or banks. From this list the shareholders of each bank at their annual meeting, will appoint an auditor or auditors to hold office for one year. Additionally, the Minister has the right to appoint an auditor to examine the affairs of any particular bank at any time, this provision, of course, being intended to cover the case of any bank whose position is not all that could be desired, and concerning which the Minister desires to inform himself fully with a view to such subsequent action as may be necessary.

Among the minor proposals contained in the new Act, considerable attention has been given to that regarding loans by the banks to farmers on the security of their threshed grain and to ranchers upon the security of cattle. Against the advice of the Minister, the Banking and Commerce Committee decided that loans of this kind shall be registered, which would entail a considerable additional expense to the borrower, and, it would seem, neutralise the effect which it was intended in the original drafting of the Act should be produced. However, the House in committee decided that registration is unnecessary. Another section over which there has been much discussion is that relating to the rate of interest which may be charged by the banks. The existing Act contains a prohibition of any rate higher than seven per cent, as being recoverable at law. But in evidence it was shown that the banks charge higher rates of interest than this in the remoter districts of the West, and that a strict prohibition of the kind would merely result in a considerable contraction of banking facilities. A new section inserted in the place of the existing one by the Banking and Commerce Committee allowed such a rate of interest as may be agreed upon but added that "no higher rate of interest than seven per cent shall be recoverable by the bank." However, in committee of the whole House this week, the old clause has been re-instated, a proviso being added for quarterly returns of rates of interest and discount charged. Other amendments made by the Banking and Commerce Committee provide, *inter alia*, for the keeping open of transfer books in each province where a bank has branches; for sundry amplifications of the monthly returns so that the amount of gold held in Canada and elsewhere is shown and also the loans to cities, towns, etc.; and that the profit and loss accounts in the annual statements shall be "detailed."