

MEREDITH, HOLDEN, HAGUE, SHAUGHNESSY & HEWARD

BARRISTERS AND SOLICITORS

F.E. MEREDITH, K.C.
H.J. HAGUE, K.C.
C.G. HEWARD, K.C.
P.P. HUTCHISON

A.R. HOLDEN, K.C.
HON. W.J. SHAUGHNESSY, K.C.
R.C. HOLDEN, JR.
H.M. HAGUE

CABLE ADDRESS "CAMMERALL"
CODES A.B.C. AND WATKINS
TELEPHONES MAIN 27 AND 28
205 ST. JAMES STREET

MONTREAL

22nd September 1923.

The President,
Bank of Montreal,
MONTREAL, P.Q.

Dear Sir:-

In response to your request to outline for the Board any changes resulting from the revision of the Bank Act enacted this year which affect the duties and responsibilities of the directors, I have to report as follows,-

1. As to their general duties and responsibility.

The new act does not in my opinion change the general responsibility and duty of directors nor alter the principle which has been adopted in several cases that the directors are entitled to rely in good faith on the reports and accountings of the officers, auditors and others which they have no reason to distrust or suspect. The Act is, however, designed to provide a means of fastening on the directors knowledge of unsatisfactory conditions or transactions, as by section 56, subsection 10, it places upon the auditors the duty to report to the general manager and to the directors in writing,- "any transactions or conditions affecting the well being of the bank which are not satisfactory to them and which in their opinion require rectification, and without restricting the generality of this requirement they shall report specifically to the general manager and to the directors from time to time upon any loans exceeding one per cent of the paid up capital of the Bank which in their judgment are inadequately secured..."

The purpose of this new enactment as I have indicated is to provide a means of bringing to the knowledge of each