was the one undesirable thing. Further, it is said, whether true or not, that there are banks in Canada which constantly maintain a large reserve of cash in consequence of the small reserves held by others. This matter has been the cause of frequent controversy, and much that is true and weighty has been said on both sides. It is a question whether legal action on the question is desirable, but it is certainly beyond question that some of the banks would do well to improve their practice. Some years ago, on the eve of the depression from which we have now fortunately recovered, Mr. E. S. Clouston, in his annual address to the shareholders of the Bank of Montreal, referred to the question of cash reserves as follows: "I regret to say that the real danger to Canada last summer was the unsatisfactory condition of the cash reserves of some of the banks. They were weak even for normal periods, but, in the delicate and difficult period I refer to, they were a source of danger and peril to Canada. Had a slight run occurred at this time, I am afraid our much vaunted system would have fared no better than others. A reserve to be effective in a crisis must be first, cash; and, for a second line of defence, foreign balances and securities readily saleable outside the country." Making due allowance for the ultra conservative methods of the Bank of Montreal, these words must, nevertheless, call attention to the importance to be attached to the necessity of maintaining, either by legal requirement or otherwise, a proper reserve of cash. For our part, we are of opinion that the banks would suffer no hardship, and be very much better protected were government to require them to maintain an average, not a fixed, cash reserve against deposits. But with this, we shall deal more fully in our article upon the desirable amendments to the new act.

Among the proposals to amend the bank act there has been one to do away with the double liability clause. In Great Britain the liability of shareholders is unlimited, and terrible consequences have frequently ensued upon the failure of a British bank to the holder of even only one share. The arguments in favor of doing away with the double liability are based upon the fact that it does not reach all shareholders equally. It is difficult of application, for example, to foreign shareholders, and it cannot reach those who have embarked their entire fortune in the bank. To be logical, this clause should carry with it a provision that every bank shareholder should be able to show at least an equal amount of assets outside of his bank stock. Again, it is difficult, in view of the prolonged period which the liquidation of a bank requires, to prevent shareholders from disposing of their property in one way or another, and, in fact, the double liability attached to a defunct bank has never realized anything like its face value. In view of the many safeguards now surrounding the note circulation, it is an open question whether it would not be advantageous to do away with the double liability altogether, as the benefit to be derived therefrom does not at all equal the restrictions which it places upon investments in bank stock, or the hardship in which it involves innocent stockholders, who, while nominally partners in the bank, are in effect not much better than creditors, and do not, at present prices of bank stocks, receive a much better return than depositors.

Another proposal made over twenty years ago is now of vital interest. It was that the branches which a bank might establish should be restricted in proportion to capital. The proposal of that time was that no bank should be permitted more than one branch for every $250,000 of capital. This is too conservative, but if the branches were restricted to one for every $50,000 or $100,000 of capital, a recurrence of the terrible hardships brought about by the nineteen branches of the Ville Marie Bank could not be repeated, and the rule would do much to restrict that competition in small places of which the banks complain at present.

It is to be understood that we are not in this article recommending the proposals touched upon, but merely indicating their nature, and whether they would be harmful or not.

BOARD OF UNDERWRITERS AND ADVERSE LEGISLATION.

At the request of a prominent Montreal underwriter, we reproduce the following extract from the recent report of Mr. Payn, Ex-Superintendent of Insurance for New York State. He says:—

"The statistics presented in this report indicate that the results of the fire insurance business for the year 1899 have been disastrous to the insurance companies as a body, and had it not been for the appreciation in the market value of their securities since the date of my last report, the loss would have been still greater than the tables show. In looking for the cause I found that the fire losses through the entire country in the companies reporting to this Department have been increased during the year by no less a sum than $14,466,441.73. To this fact, however, these adverse results cannot be solely ascribed, for further examination shows that, comparing the business of 1896, 1897, 1898 and 1899, the average rate of premium charged for each one hundred dollars of insurance by all companies reporting on their entire writings in the United States has materially decreased from year to year. It is apparent that not only have the losses largely increased in the aggregate, but that the rate of premium charged to insurers during the period mentioned has been reduced as well; thus, the candle has been burning at both ends. During the past four years many of the State legislatures have passed anti-compact laws, which, as intended, have prevented companies from utilizing their combined experience and judgment in determining the adequacy of rates of premiums for fire insurance and in enforcing rules and regulations designed for the puspose of preventing fires. The continued and continuing assaults upon the insurance companies threaten serious impairment of their resources and their ultimate destruction unless this crusade is stopped. Upon this Department there rests a responsibility which justifies reference to this subject, in view of the fact that so large a proportion of the insurance capital engaged in the business throughout the United States is held in this State.