stances and conditions, which ought to be determined by judgment under a sound management?"

"The practice has grown up partly as the result of trust companies going into the banking business and making a bid for general deposits by offering interest upon all balances above a certain moderate limit. This has impelled many banks to offer interest upon deposits as a means of keeping their customers from going away to a neighbouring trust company. It is also in part the result of a system under which there is such a multiplicity of small banks. This begets a competition for deposits which induces the offer to pay interest upon balances. Competition of that kind is very risky."

The opinion of Superintendent Kilburn, that, paying interest on deposits is "contrary to sound principles of banking," and the assertion of the "Bulletin," that, "the practice of paying interest on deposits has grown up partly as the result of trust companies making a bid for deposits and offering interest on them," are both of them open to grave objections. Paying interest on deposits has nothing to do with sound or unsound principles of banking, it is a practice as old as historic records; it is the exercise of the foundation, the essential principle of all commerce, and of all finance, which is the voluntary, equitable exchange of values. When the owner of a sum of money places it on deposit with a bank, he sacrifices his own power of earning money by its use otherwise, and he confers the power of using such deposited money to earn money upon the banker. A bank depositor lends so much capital to the bank for carrying on its business as a money lender and dealer in credit. As a matter of fact the entire fabric of banking business is built upon a foundation of deposits, and constructed out of the materials provided by deposits. The capital of a bank is nothing more than money deposited by shareholders, under certain conditions, for the service of the bank, which means, providing the means for conducting its business so as to earn profits for the shareholders.

The question as to whether paying interest on deposits is, or is not sound banking depends wholly upon whether such deposits can be used with profit, and whether the contingency of their being recalled is likely to cause embarrassment. If deposits are a source of profit to a bank, their owners are entitled on ordinary business principles to some compensation for having relinquished the private use of their funds. If deposits are not profitable, or if their use involves contingencies of embarrassment, or danger which cannot be guarded against, then, ordinary common sense is enough to prevent a banker holding useless money, or money which is likely to bring him into trouble. If a banker is the mere custodian of deposits without having any beneficiary interest in them, it would seem proper for a charge to be made for the trouble and the risk of acting as a custodian. The question primarily is one of management. A sagacious banker will not hold deposits that earn nothing, nor will he hold those that are earning profits without keeping such reserves as will protect him from trouble in the event of their being recalled.

IMPORTANT DECISION REGARDING LIFE ASSURANCE PROFITS.

The following recent legal decision which was specially reported for THE CHRONICLE, is one of far-reaching importance. The point at issue turns upon the question, whether any of the profits of a life company arising from the mutual and participating branch of this business can by Special Resolution be applied either in forming a reserve fund, or otherwise, than by distributing the profits among the policies of a participating class. According to the original judgment and the one by which it was confirmed by the English Court of Appeal, the profits accruing on a participating policy are "ear-marked" for the exclusive benefit of the holder of such a policy, and the directors of the company that issued such a participating policy have no legal authority for alienating such profits for any other purpose, for, by diverting such profits from the participating policyholders, they might change a "participating" policy into a "non-participating" policy in like manner. The case is reported as follows:—

There is a difference in the relation which exists between an insurance company and its stockholders and the company and its policyholders. The relation between the company and its policyholders is one of contract, so that the profits payable to a policyholder under his contract cannot be regulated in the same way as can dividends payable to shareholders. The British Equitable Assurance Company was formed in England in 1854 for the purpose of carrying on a fire, life and annuity business. A person who had taken out a participating policy in this company, and for which he had paid a higher premium than was payable for an ordinary one, brought proceedings to have it declared that the company was not entitled to apply any profits arising from the mutual and participating branch of its business, either in forming a reserve fund, or to shareholders, or otherwise, than by distributing the profits among the policies of his class. At the trial, judgment was given against the company, and now this has been affirmed by the English Court of Appeal. In reading the deliverance of the court, Mr. Justice Cozens-Hardy said: The rights of a shareholder in respect of his shares, except so far as they may be protected by the memorandum of association, are by statute made liable to be altered by special resolution. But the case of a contract between an outsider and the company is entirely different, and even a shareholder must be regarded as an outsider, in so far as he contracts with the company otherwise than in respect of his shares. It