

fruitful source of disaster to Banks than the tendency in Directors to speculate, either directly or by the medium of others, with the funds under their control. Having extraordinary powers with regard to the funds of the Bank, and being entrusted with these funds for the furtherance of the object for which the Bank was formed, it is always well to place some restriction on the use which they may make of these funds for the furtherance of private objects. According to the Bank Act, it is necessary for Directors to mention in the monthly return to the Government the aggregate amount of loans to Directors and firms of which they are partners (1). The shareholders are, of course, presumed to take monthly cognizance of these returns, and may at any time limit the amount of individual loans to Directors by calling a special meeting for that purpose in the manner provided by the Act. It is, we think, rather unusual for a By-Law of this nature to be passed in Canada, the Directors of our Banks being as a rule the largest holders of the Bank stock, and consequently the most interested in preventing any member of their board from involving the Bank in loss. The severe penalty evoked by the law, for the making of any wilfully false or deceptive statement in the Government returns, will always serve to protect the shareholders, and will give them an opportunity of providing, at the first alarm, for the non-repetition of a precarious loan. According to the organic law, under which the National Banks in the United States come into existence, it is especially enacted that loans to any one person shall never exceed one-tenth of the amount of capital stock.

*45. The amount of discounts or loans to any one firm or person, or to any shareholder or to corporations.*—The remarks which we have made in considering the previous by-law apply with equal force to the present.

Should the Directors at any time prove lax in their duties to the shareholders, and make excessive loans to any person or persons or to corporations, the shareholders may bring them to a knowledge of their proper duties by passing a By-Law at any time, at a general meeting or a special meeting called for the purpose, in the manner provided by the Act, limiting the loans which they may make to parties considered irresponsible by the shareholders.

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(1) Schedule D.

(TO BE CONTINUED.)