

act on both sides of a transaction, i.e., both as borrower and lender. Officially, he passes judgment on his personal credit, and it is not human nature that he should degrade himself in his own estimation. Bank directors who know their responsibilities and care to assume them will not permit such practices.

It may be necessary under our system to do as some of our State legislatures have already done, prohibit loans to salaried officers, except with the full consent of the board of directors, regularly recorded in their minutes. It is a mistake, however, to pass laws which are too easily circumvented. It only induces evasion which is always demoralizing. As a rule, salaried officers of banks should have little occasion to borrow, and it is open to question if when they do they should not do so at their own banks, always on satisfactory security and with the knowledge and approval of their directors; never, in my opinion, otherwise. It is certainly better so than that they should be compelled to go to some officer of another bank, or to some personal friend and customer, with whom reciprocal arrangements for mutual accommodation could be so easily established.

However this may be, it is certain that to absolutely prohibit loans to directors, or to place legal restrictions on loans to them, or to corporations in which they are interested, that do not apply to other customers, would completely upset our present banking system, destroy the integrity of its directorate and seriously impair its usefulness. The best directors banks can have, and those they now do have, are the men connected with the leading commercial and manufacturing industries whose close touch with business affairs makes them the best judges of credits in their various communities. If, by being directors, they are debarred from the legitimate banking facilities to which they are entitled, they will cease to be directors, and the inevitable result will be that dummies will take their places, possibly to do their bidding. The demoralizing effect of such a condition of affairs, affecting practically every bank in the system, can easier be imagined than described. It does not follow from this that the present practice of showing directors' liabilities in reports to the comptroller should be discontinued, or that examiners should not take special cognizance of them to see that the bank is not being illegitimately or unreasonably used for the special benefit of those controlling it. This is always a legitimate and most necessary subject of investigation. It will, however, be found in nearly every case that the best loans in the banks are those to its directors, who are engaged in the legitimate, successful and profitable enterprises of the communities in which they live.

A serious defect in the Bank Act, as the courts have interpreted it, is that false reports made to the comptroller are not a misdemeanor as are false entries in the books and false statements made with intent to injure or defraud the bank itself. This is all wrong and should be promptly corrected. The making of false reports to the comptroller should be regarded as the most heinous offence of its kind and should be punished accordingly. A false report to him means a fraud on the public whose representative he is. It should be part of the duty of examiners to check up reports made to the comptroller. The integrity of the system depends on the reliability of the statements made from time to time to the comptroller and published in the newspapers. There should be no weakness in the administration of the comptroller's office in regard to the criminal prosecution of bank officers who are guilty of falsification or misrepresentation. Such offences should be nipped in the bud. When an examiner discovers anything in the books, the securities, the loans or the records that misrepresents actual conditions it should be a case for criminal proceedings and the law should be such as to facilitate prompt action.

At an early stage of my banking career the inviolability of bank reports was strongly impressed on my mind. A bank agent in my native town misappropriated some of the bank's money. According to the rules of the bank a monthly statement had to be rendered to the head office. In this statement the agent and accountant had both to certify that they had counted the cash and that it was all on hand as stated. The regular accountant being absent, a clerk, who was a friend of mine and