VREELAND CRITICISES CANADIAN BANKING

System—Says Our New York Funds Might Be Difficult to Get in Time of Need—Mr. Eckardt's Reply.

In advocating before the New Jersey Bankers' Association the adoption of the Aldrich plan for the establishment of a reserve association the Hon. Mr. Vreeland referred to the Canadian system of banking as follows: "Gentlemen, it is a provincial system. I mean by that that Canada is not a self-supporting country. It relies upon New York. Canada, during the panic of 1907, was more dependent upon New York than Pittsburg was. I think that shows you the system more than anything else Canada had eighty or ninety millions under deposit in one form or another in the city of New York. Suppose the need had come for Canada to call on New York for their use at home; they would not have got any more than the rest of us when we called. I lost interest somewhat in the Canadian system when I visited it with the committee on deposits, and I found that the total deposits in all the banks of Canada were almost exactly equal to the deposits in the savings banks of Massachusetts alone."

New York Situation.

"This reference," says Mr. H. M. P. Eckardt in The Canadian Bankers' Association Journal, "tends to put the Canadian system before the public in a more unfavorable light than the facts warrant. It is said that the Canadian banks were more dependent on New York than Pittsburg was. But Pittsburg was in great distress in 1907 and was obliged to close its Stock Exchange. Nothing like that occurred in Montreal or Toronto. Then it is said that the Canadian banks could not have realized on their New York call loans and deposits had the need for doing so arisen. Mr. R. Y. Hebden, the New York agent of the Bank of Montreal, flatly contradicted this same statement when it was made in 1907. Mr. Hebden said there was not one day in the panic in which the Bank of Montreal or the other Canadian banks could not have got sterling exchange for any New York loans they had wished to call. And as he pointed out, the banks could have utilized the sterling exchange as a means of shipping gold to Canada from London had it been at all necessary to ship gold.

"Indeed the figures of the Canadian bank statement prove that these New York loans and balances were actually realized during the panic month. Here is the statement covering those items as at September 30 and October 31, 1907:

	Sept. 30. 1907	Oct. 31. 1907.
Call loans outside Canada..	$63,158,601	$47,946,737
Bank balances in the U. S. ..	14,851,311	15,101,421
Total	$78,009,912	$63,048,158

"So the banks realized a matter of $15,000,000 during October, the month in which the Knickerbocker Trust Company failed.

Could Pay Cash on Demand.

"There is another point which Mr. Vreeland has overlooked. Suppose it has happened that there was need in Canada during the panic of a considerable amount of funds and that New York could not pay a dollar of the loans and balances belonging to the Canadian chartered banks. That implies not a partial but a complete suspension of payments by the New York banks. Even in that case the Canadian banks would not have been reduced to straits. It would doubtless have been very inconvenient for them, but there is no doubt that they could have continued to pay cash on demand and to look after the necessary requirements of their borrowing customers All the important Canadian banks have accounts and close connections with the great banks in Europe. Among these banks are the Bank of England, Lloyd's Bank, Bank of Scotland and the Royal Bank of Scotland and ten or twelve other Great British joint stock banks, also the Credit Lyonnais and other Continental institutions. With their London correspondents the Canadian banks habitually carry large amounts in bonds and debentures, having an international market, and they are privileged to draw bills upon these banks against that cover.

Lockup of New York Funds

"Even if there had been an absolute lockup of their funds in New York, the Bank of Montreal, the Canadian Bank of Commerce, the Royal Bank of Canada, the Merchants Bank of Canada and the other important banks could have arranged in London for such supplies of cash as they required for a possible emergency in Canada. It is to be remembered that the Canadian banks are in high credit in Europe. If it had been absolutely necessary for them to do so the Canadian banks could have forced the great financial houses in New York who borrow from them at call to liquidate these loans by means of borrowing in Europe. The collateral held against the $63,000,000 call loans would be available for negotiation in Europe at a price.

"Possibly these remarks will serve to show that the Canadian banking system is not provincial in any sense. It seems strange that any banker should think of banks which have branches in every part of the Dominion, in the United States, Mexico, the West Indies, Newfoundland and in London, England, as provincial banks. Whatever it may be, the Canadian banking system is certainly not a provincial system. Mr. Vreeland says he lost interest in Canadian banking when he discovered that the deposits of all the banks in Canada were no more than the deposits in the savings banks of Massachusetts. I might mention, in passing, that the deposits in the savings banks of Massachusetts comprise nearly one-fifth of the deposits in the savings banks of the whole United States. And I have no hesitation in saying that in ten years' time the deposits of the Canadian banks will not be so small as to merit Mr. Vreeland's scorn.

Some Interesting Figures.

"In order to show what has been the development in regard to deposits in the past four years I have taken the following figures from official Government reports:—

(Thousands omitted).

	Nov. 12, 1906.	Mar. 7, 1911.	Increase.	Per cent.
*National banks—				
New England	$ 394,019	$ 463,723	$ 69,704	18
Eastern	1,701,237	2,011,414	310,177	18
Southern	469,113	622,201	153,088	33
Mid-Western	1,135,288	1,438,550	303,262	27
Western	324,873	395,779	70,906	22
Pacific	263,998	371,564	107566	41
	Oct. 31, 1906.	Feb. 28, 1911.	Increase.	Per cent.
Canadian banks	$640,178	$920,894	$280,716	44

In the Matter of Deposits.

"This statement shows clearly how rapidly Canada is drawing up on the great geographical divisions of the United States in the matter of deposits. Four and a half years ago the deposits of the Canadian banks were 37 per cent. of the deposits of the national banks in the Eastern States, including New York city; now they are 46 per cent. In 1906 the Canadian deposits were 56 per cent. of the deposits of national banks in the Middle West, including Chicago; now they are 64 per cent. Every indication points to a more rapid ratio of increase for Canada in the next ten years. It is one of the best points of the Canadian banking system that it is constituted in such manner as to adjust itself easily and naturally to a continued rapid expansion of Canada's trade and population. For the banks to cope with that is simply a matter of enlarging their staffs and their capital and of increasing the number of branch offices."

Mr. Eckardt, who thus replies to Mr. Vreeland, is a frequent contributor to The Monetary Times and the author of "Manual of Canadian Banking Practice," published by The Monetary Times.

* For the national banks the individual deposits are taken. The deposits of other banks consist, to a large extent, of duplications of funds.

FOREIGN COMPANIES IN SASKATCHEWAN.

The following companies have been registered in Saskatchewan:—The Kenshen Company, Limited, the Northwestern National Insurance Company, the Western Canada Trust, Limited, the Investment Corporation of Canada, Limited, the Peace Waldron Company, Limited.

The Ottawa Assurance Company ceased to transact business in Canada on December 31st, 1910. The company's insurance liability was assumed on that date by the Factories Insurance Company. Application has been made for the release of the company's deposit on September 30th, and any Canadian policyholders opposing such release are requested to file their opposition with the Minister of Finance before that date.

The Canada North-West Land Company, Limited, will distribute on realization of assets, No. 5, of $5 per share, payable on September 25th, to shareholders of record on the books of the company at the close of business on September 9th, (fractional shares not included). Shareholders are reminded that as these distributions on realization of assets can only be made as and when sufficient funds are on hand from time to time, payments are bound to be at irregular intervals, and cannot be counted upon to be made at any fixed periods.