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BANK AMALGAMATIONS.

The decision of Hon. W. T. White, Minister of Finance, not to allow the proposed amalgamation of the Bank of Hamilton with the Royal Bank of Canada is of moment, not only to the parties directly concerned in the proposed deal, but also as an indication of the future policy of the Canadian Government in regard to bank amalgamations. It is not going too far to say, we believe, that Mr. White's decision suggests that in the future practically only those bank amalgamations will be permitted which are rendered necessary by the weakness of one institution and that there has come an end to the practice of one strong institution purchasing another strong, though not so large bank, with the main motive of self-aggrandisement. It is true that Mr. White's veto has no binding force upon his successors in office and that the decision in each case that is hereafter submitted will have to be given on merits. Nevertheless, the present decision forms a precedent of importance, and it may fairly be said to mark a turning-point in the history of the Canadian banking system.

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Bank amalgamations have been numerous in Canada in recent years, and it is obvious that not all of them have been due to the necessity of taking over a weak institution in order to maintain unimpaired the fabric of Canadian banking. The absorption of the Eastern Townships Bank by the Commerce, of the Traders by the Royal and of the New Brunswick and Metropolitan by the Nova Scotia, all taking place within recent years, certainly cannot be said to have been essential to the continued soundness of the Canadian banking structure. In more than one case the motive stated was the desire—a perfectly legitimate one—on the part of the absorbing bank to increase its connections in some particular province or district where it had hitherto been weakly represented—to round out a Dominion-wide organisation. Whether in the light of events, the banks have been wise in gratifying this legitimate desire by this particular method is another matter. Certain it

is that the amalgamation movement which has been so notable a feature of Canadian banking in recent years has been accompanied by a steady rise in the public mind of a feeling of antagonism to the banks, which have thus concentrated banking control in fewer hands, and reduced, as was inevitably the case, the competition between them in certain localities. This feeling of antagonism became articulate at the last revision of the Bank Act. The opinion prevailing in the Banking Committee at Ottawa was that the list of chartered banks in Canada is diminishing rapidly enough from natural or unpreventable causes, and that all the larger banks should on principle refrain from taking aggressive action in absorbing their smaller competitors. It was agreed that exceptional cases might arise wherein an institution in distress had to be quickly taken over by a stronger bank; but where both the amalgamating banks are strong and capable, the sentiment was that they should continue to work as independent units. There was quite a strong movement in Parliament to have the law amended so that it would be necessary to get the sanction of the two houses for each and every bank amalgamation; but it was finally arranged that the consent of the Finance Minister would be sufficient. The radical members agreed to this unwillingly, and only when it was pointed out that a crisis might occur while Parliament was not in session, and that disastrous results might follow if it proved impossible to get speedy authorization for the taking into cover of distressed banks.

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Much of the sentiment antagonistic to the banks is of course of the perverse type that takes no account of the fact that the banks' privileges and rights are of as much value to the public as to the banks. But it is useless to blink the fact that within recent years this sentiment has greatly increased and by it a position of affairs has been created which the banks have to reckon with. In certain cases in future it is possible amalgamation may be permitted where the banks are not existing or potential competitors. But evidently the day of building up a big banking organisation rapidly by means of judicious amalgamations is closed.