

## CANADIAN BANKING PRACTICE.

By H. M. P. Eckardt.

## XXVI.

The bank's individual customers are expected to deposit with it all the items they receive in the regular course of their business, even when the items are cheques on other banks in town. So the composition of the customers' deposits will be somewhat different from that of the bank deposits. There will be in the cash sundries as well as the bank's own notes; the other items will consist of cheques on other banks in town as well as on the bank itself, with probably some cheques or sight drafts on outside points.

So far as the cash and the cheques on the bank itself are concerned, they are checked in exactly the same manner as that outlined. It is to be remembered, with reference to the latter, that they are "orders" addressed to the bank, and on the bank's accepting them through certification, or on a deposit, or through paying over the money for them, they become dead instruments, and the bank cannot legally revoke its action without the consent of the parties thereto.

**Quick or Liquid Assets.**

The items drawn on other banks and on points outside are obviously on a different footing. When these are accepted in a deposit, or when cash is paid for them, the action constitutes an advance by the bank. They have exactly the same character in this respect as notes and bills discounted—the bank buys the documents, reimbursing itself through collecting them. As they can be, and are in most cases, collected at once, they are classed as quick or liquid assets, by way of distinction from the ordinary discounts, which, having longer maturities, are not so quickly convertible into cash.

The cheques on other banks in town will be collected next banking day. So will a number of those on banks in other towns that are not too far distant. The sight items and cheques on distant places will require some few days—from two to ten. Cheques on other banks in town are always taken at par, because it costs nothing to collect them, and because the bank is out of its money for one day only. Though, by taking these cheques on his own responsibility, the teller is making advances of the bank's money, and so usurping the manager's particular function, he is quite commonly allowed to pass on them when they come within the limits of everyday business transactions.

**Trust Instinct is a Good Rule.**

Some may be certified or accepted by the banks on which they are drawn. If he is familiar with the initials of the ledger-keepers of the other banks, he has no reason to doubt these unless there is something about them that strikes him as queer or unusual. A good teller, with experience in the cash, does not disregard it when there flashes through his mind an instinctive thought that there is something "queer" about a document he is asked to accept. It may appear perfectly regular and formal, but some little thing that is not as it should be, he may not be able to tell what it is, has got on the edge of his nerves. The bestowal of a little extra care on such documents may quite possibly result in stopping some fraud.

In passing on cheques on other banks, received on a customer's deposit, the teller has several things to consider. The first is the standing and responsibility of the customer depositing them. If he is financially strong, able to take dishonored cheques up at once, almost anything that is formal can safely be taken from him. If he is weak and hard pressed it is a different matter. Then the name signed as drawer of the cheque has, obviously, to receive more consideration. The point to be kept in mind is that nothing must be taken except what will certainly be paid. The bank must have confidence that each cheque will be paid on being pre-

sented at the bank on which it is drawn, or, failing that, that the customer who deposited it will take it up at once.

**Endorsement is Essential.**

It is necessary thus to require the customer to endorse every cheque on another bank, whether payable to his order, payable to bearer, or however drawn. The endorsement shows from whom the cheque was received, it guarantees the correctness of the prior endorsements, if any, and holds the customer liable until the cheque is collected. It is desirable to have customers endorse also all cheques on the bank itself deposited by them. It serves the first two of the three purposes mentioned.

It is hardly necessary to put the cheques on other banks, received on deposit, through any particular register or book. The amount of each one is recorded, under the heading of the bank to which it belongs, in the teller's balance book, forming a part of his cash balance until cleared the next day.

In the case of cheques and sight drafts on outside points the requirements, as to being authorized by the manager, are somewhat stricter. In taking them the advance made by the bank is for a slightly longer term. The transaction, therefore, calls for something more in the way of judgment. The orthodox practice is for the customer to get them initialled by the manager before handing them to the teller. The manager may, and sometimes does, delegate the duty in part to the accountant in so far as it covers the taking of small items in the ordinary course of business from regular customers. Quite often, when the teller is an experienced man, his judgment fully relied upon by the manager, he is left practically free to take small items in the ordinary course on other banks in town and on outside points as well.

**Rates of Commission to be Paid.**

The items on outside points are called remittances, because they are remitted for collection or credit. In addition to the points mentioned as having to be considered in the case of the local cash items, there is another to be taken into account when dealing with remittances. It concerns the commission or exchange to be charged. That should properly be based on the length of time the bank will be out of its money and on the cost of making collection. In all probability there will be an understanding or arrangement with the regular customers as to the rates of commission they shall pay. It may be based on the varying circumstances of the customers' accounts. A bank that is properly run demands that every account on its books shall, in some way, be profitable.

The profit may come through the maintenance of a large balance on deposit, free of interest, through exchange or commissions, discount on loans, circulation of the bank's notes, or in other ways. It may happen that a man's account is, in itself, absolutely devoid of profit, but it is worth while because of his control or influence over some other business or account that is profitable. These things all enter into the matter of establishing rates of commission on remittances received from the regular customers.

**Competition Between the Banks.**

There are plenty of indications that competition between the banks for desirable accounts has resulted in many branches conducting their business in remittances at an actual loss. It has led them to take cheques and drafts on other points at rates which do not pay, and the accounts through which they are received do not in every case yield profits in any other manner to warrant their favorable rates on remittances.

So the teller is careful to mark on each remittance, lightly in pencil, the amount of the commission to be charged on it. The total of the commissions on all the remittances contained in any one deposit is to be deducted from the deposit or paid by the customer in cash.