

accumulating a fund of Surplus Profits to protect our Rest, and to maintain an equalization of dividends.

There has been a striking change in the opinion of Bankers in regard to this matter of Rest or Reserve Fund during the last few years. Formerly, it was considered reasonable that a Bank should have a sum equal to twenty or twenty-five per cent. of its capital thus reserved; and an instance once occurred in this country where the whole of the Rest was divided amongst the Stockholders. The bank failed disastrously later on; very naturally.

But many banks in Great Britain are now accumulating a reserve that is nearly or entirely equal to their capital, and this on the sound principle that the Rest should not be considered so much in proportion to capital, as to discounts.

I have taken pains to look into the matter lately and find that a number of very important banks, both in London, in other parts of England, and also in Scotland and Ireland have accumulated a Rest of from 65 per cent. to upwards of 100 per cent. of the paid up capital.

CONDITION OF MATTERS DURING THE YEAR.

Turning from the past to the present, I may observe that the year just closed, especially in its earlier months, was one of considerable anxiety to Bankers who had large interests in the United States.

We curtailed our loans in New York to the lowest limit consistent with doing business at all, and took other measures to protect the interests of the Bank. But it was impossible to avoid having a certain amount at risk, if we were to keep our office open.

The unprecedented course of legislation in the United States had caused the "silver question" to hang as a threatening cloud over the country for years. This produced its effects last year in a destruction of confidence, heavy withdrawals of money from the banks, stoppages of supplies to mercantile and manufacturing concerns, and entire cessation of cash payments, except through the medium of the Clearing House.

When the last development took place it was evident that there was imminent danger of all United States money falling to a discount of more than thirty per cent., a condition of things which would have produced serious effects in every country doing business with the United States, England and Canada especially.