☞ THE CANADIAN MONETARY TIMES AND INSURANCE CHRONICLE *is printed every Thursday Evening, in time for the English Mail.*

Subscription Price, one year, $2, *or* $3 *in American currency; Single copies, five cents each. Casual advertisements will be charged ten cents per line of solid nonpareil each insertion. All letters to be addressed,* "THE CANADIAN MONETARY TIMES, TORONTO, ONT." *Registered letters so addressed are at the risk of the Publishers. Cheques should be made payable to* J. M. TROUT, *Business Manager, who will, in future, issue all receipts for money.*

The Canadian Monetary Times.

THURSDAY, SEPTEMBER 17, 1868.

DUTIES AND RESPONSIBILITIES OF DIRECTORS OF COMPANIES.

The want of discrimination sometimes shewn in selecting directors of companies, and the readiness with which persons accept office, wholly indifferent to the duties and responsibilities thus incurred, is surprising. The gentlemen appointed are too often nominated for their respectability alone, are frequently among the smallest shareholders of the concern, live possibly hundreds of miles away from headquarters, and unwilling, even if capable, of exercising any discriminating control over the management of the common property. The embarrassments or total ruin to which so many companies are brought through the carelessness or criminality of the officers in whose hands the entire management is allowed passively to remain is properly chargeable to the men who are or ought to be the shareholders' trustees, the directors. Although directors are so often culpable, still all the blame does not properly rest on their shoulders, it primarily and chiefly rests on those of the shareholders themselves, who seldom attend general meetings and vote ignorantly for whatever name is proposed for the direction. Can it be wondered at, then, that the supervision of such boards should be little more than nominal, that the directors should practically consider the purposes for which they are appointed that of attracting business by their individual position, and that their duties are limited to attending board meetings when called upon, and discussing there such subjects as the manager or secretary may choose to bring before them.

We desire, as shortly as possible, to describe the responsibility which directors incur. Towards the public, the board of direction represents—is, indeed, the company; all contracts are entered into by their authority, and they can render the company liable on contracts to enormous amounts. But considering the magnitude of the interests and number of the persons for whom they are trustees, and to prevent reckless dealing with money not their own, the joint stock acts declare them jointly and severally liable for all debts of the company in case they declare a dividend when the company is insolvent, or the payment of which would render the company insolvent, or have the effect of reducing its capital stock, and also that they shall be jointly and severally liable for the amount of any loan made by them of the company's funds to any shareholder.

As regards the shareholders, even without any special agreement, the mere acceptance of office implies an undertaking on the part of directors with them to use their best exertions fairly and honestly to advance the interests of the company, not to acquire any interest adverse to such duty, and not to make any profit from their office.

It has sometimes occurred when actions have been prosecuted against directors for false or misleading statements contained in reports, or other official documents, that they were entirely ignorant of the incorrectness of such statements; sometimes through passive inattention, in other cases through the falsifications of the company's servants this has proved to be the case. But the language of the Judges is, in all cases, that it is the bounden duty of directors to know the real state of the company, and it is also their duty to take care that the books are kept in such a way that this state can be readily and correctly ascertained by others. It is the duty of courts of justice to prevent men from gaining advantages by representations of that which is false or suppression of truth. In many cases a true statement of the affairs of companies, if as honestly published as the law requires, would bring the concern into public disrepute, while there is every probability that if confidence be retained for a few months, all difficulties will be overcome. If directors choose to make false statements for this purpose, they themselves run the risk. They are not at liberty to do evil that good may come, even for a corporation without a soul to be saved.

The directors are also responsible for another reason. Shareholders, however induced to become members of the company, are liable, according to the terms of the corporate agreement, for the debts of the company. If through the false statements of outsiders, they have been induced to make the bad investment, their only resource is, to pay the amount of their liability and then bring an action against the persons who have caused the loss. A company is in no way responsible for damage caused by unautho-