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THE BANK ACT AMENDMENTS OF 1900.

In view of the approaching revision of the Bank Act, it will be of interest to survey certain changes that were made at its last decennial revamping.

Perhaps the most important legislation of 1900, relating to banking, was the formal incorporation of the Canadian Bankers' Association, and the entrusting to it of the appointment of a curator to supervise the affairs of any bank which might suspend payment, until the resumption of its business or the appointment of a liquidator. The association was, by its charter, empowered to pass by-laws, rules and regulations respecting all matters relative to the appointment and removal of a curator and his powers and duties; the supervision of the printing of the notes of the banks, which are intended for circulation, and the delivery thereof to the banks; the inspection of the disposition made by the banks of such notes; the destruction of notes of the banks; and the imposition of penalties for the breach or non-observance of any by-law, rule or regulation made by virtue of the statute.

However, all such by-laws, rules and regulations were made subject to the approval of the Treasury Board, which must before signifying its approval submit them to every bank not a member of the association and give it an opportunity of being heard before the Treasury Board with respect thereto. Thus, with due safeguards, were secured the benefits of co-operation and joint-responsibility in many matters—matters as important to the public's interests as to those of the banks. It is noteworthy that in the United States there is now a discernible tendency to some working-arrangement whereby control in certain matters should be exercised by banking associations, instead of being left entirely to government officials. And, indeed, the Comptroller of the Currency at Washington and the state Superintendent of Banking for New York are among the most out-and-out advocates of more definite associational activity and responsibility. Themselves aware of the practical limitations and defects of paternalistic control, they are anxious to enlist the assistance of those who must necessarily be most conversant with actual needs and conditions. If any system of external inspection is ever evolved for Canadian banks, it must logically be along lines by which the associated banks would play an important part. Direct government inspection as practised in the United States has not been a shining success, even under non-branch banking conditions. In Canada, where banks have their scores of branches, any such plan seems especially impracticable. And where such inspection would not really protect the shareholders and creditors, it seems better "that they should not be lulled by imaginary safeguards, but be kept alert by the constant exercise of their own judgment." Where due publicity is provided for, and exacted, there is much to be said for a plan whereby, to quote an eminent banking authority, "the public is left to judge of the bank by its chief officers, its record in the past, its *entourage*."

As remarked in THE CHRONICLE a fortnight since, experience shows that all that is usually necessary for ensuring that the Canadian banks will support home industries is to create by legislation a situation making it safe for the banks to put their funds at the disposal of the home business men. Thus it comes about, that an industry may be helped most through giving the banks and other lenders plenary powers of sale, and so forth, over goods pledged as security for loans. It was with such an end in view, that the Bank Act was revised in 1900 so as to add standing timber and timber licenses to the list of enumerated securities upon which a bank is authorized to lend money.

Provisions relating to bank note circulation were changed somewhat by the 1900 revision. Being virtually "involuntary creditors," note-holders are considered, by bankers and government alike, as entitled to all reasonable safeguards. It was made a penal offence, therefore, for an officer of a suspended bank to issue its circulating notes during the period of suspension.

The rate of interest borne by the notes of a suspended bank was reduced from six to five per cent. per annum. It was also provided that any advances from the Bank Circulation Redemption Fund should bear interest at three per cent. per annum until the government came to be reimbursed out of the assets of the suspended bank.

It was further enacted that when, through the taking-over of the business of another bank, the paid-up capital of a purchasing bank became exceeded by the total of notes in circulation of both banks, the excess notes in such case had to be secured by cash deposited with the government.