

NEW RULES FOR LOAN COMPANIES

Banking Committee at Ottawa Fixes \$250,000 as Minimum Capital—Dual Offices and Transmission of Interest in Shares

The minimum capitalization of loan companies is to be \$250,000, and a manager of a loan company will be prohibited from holding office also as president or vice-president of the company. This was the decision of the banking and commerce committee at Ottawa in considering the new loan companies bill. The discussion was interesting.

A clause in the proposed bill provided that for loan companies it be not less than \$500,000. Hon. W. T. White proposed to reduce this to \$250,000, while Mr. G. W. Fowler favored \$100,000, so that smaller organizations who did business with the farmer might be encouraged. It was finally agreed, however, to adopt Mr. White's suggestion, as provincial incorporations may be sought for the smaller companies and the minimum was fixed at \$250,000.

Number of Shareholders

The next clause discussed was that providing that the number of shareholders must not be less than five or more than 21. Some members of the committee thought 21 too large a number. Mr. White suggested 15 and this was agreed to.

A clause affecting the rights of a chairman was considered. Messrs. Fowler and Cockshutt questioned the advisability of a chairman being allowed the casting vote in case of a tie. Mr. White explained that this principle had been recognized for years.

Mr. F. B. McCurdy drew the committee's attention to the inadvisability of allowing a general manager to act also as president or vice-president. In case a manager should become a defaulter, said Mr. McCurdy, in the general course he would come before the board and be reprimanded by the president. This would be impossible if he were himself head of the company and the latter position would give him many opportunities to cover up his mis-dealings with the company's funds. Mr. McCurdy said he had endeavored to have this principle recognized in the Bank Act last year as placing too much power in the hands of one man, but had been unsuccessful. He would like to see the general manager kept off the board altogether.

Question of Dual Positions

Hon. Mr. White said that he believed in theory that the general manager should not be on a board of directors at all, but the English practice had long recognized the managing director.

An amendment was then proposed by Mr. McCurdy that no manager or general manager of a loan company should be a director of it, but this was lost on a vote. A second amendment, that no manager or general manager should also act as president or vice-president, carried.

In connection with the consideration of a clause giving power to directors to make contracts, etc., Mr. Fowler said he thought directors should not be allowed to sell a company's real estate without consulting the shareholders. He was told by Mr. White that this power had always been given them.

Share Warrants Explained

A provision authorizing companies to issue share warrants provoked queries from members of the committee who had never heard of them. The minister of finance explained that share warrants were employed in Europe instead of stock certificates and that title to the shares went with possession of the warrants. He explained that this provision was inserted to facilitate the sale of Canadian shares on the Continent.

In connection with the transmission of interest in shares and debentures, Mr. White said it had been suggested to him as advisable that all Dominion legislation incorporating companies might contain a provision that shares in Dominion companies must be transmitted on their being filed with the company a certified copy of English probate of a will. At present if an English shareholder of a company with head office in Ontario died, his executor was required to obtain ancillary letters of probate from the Surrogate Court in that province, sometimes involving more expense than the shares were worth. It had been suggested that if the Dominion had jurisdiction in the incorporation of companies it could direct that shares might be transmitted and might dispense with the requirements of provincial law. Mr. White doubted whether the Dominion had jurisdiction to do this, however. Consideration of this clause was allowed to stand.

A clause providing that the books of the company at the head office be kept open for inspection of shareholders and creditors stays in the bill.

A change was made in clause 54, respecting forfeiture of right to vote by a shareholder in arrears. The amendment makes it read: "No shareholder who is in arrears in respect of any call upon any share shall be entitled to vote at any meeting of the company in respect of such share." The amendment thus gives him a right to vote on other matters.

Powers of Investment

Regarding the clause regulating the powers of investment of loan companies, Hon. W. T. White urged that a loan company should be in such condition that in case of large demands from depositors it would have liquid investments sufficient to be readily turned into cash. If its investments are limited to mortgages this forces it to keep large sums in the banks. He would give it power to invest in debentures, bonds, call loans, etc., to a large percentage of its paid-up capital. The committee left the fixing of that percentage to a future meeting.

The clause regarding liabilities to the public was amended by adding the words: "And reserve." It reads: "The total of companies' liabilities shall not exceed four times the amount paid upon actually paid-up and unimpaired capital stock and reserve."

Holding of Real Estate

Such companies are to be permitted to hold for their use and occupation real estate to the value of thirty-five per cent. of capital and reserve.

Another clause which was approved provides that if directors declare any dividend which impairs or diminishes the paid-up capital of the company the directors who concur are jointly and severally to be liable for the amount of such dividend.

BANK OF BRITISH NORTH AMERICA

Established in 1836 and incorporated by Royal charter in 1840, the Bank of British North America has been for many years a substantial pillar of banking and finance in Canada. Throughout its career it has been enabled to follow a progressive policy fitted to the needs of a young and growing country and at the same time to observe the traditional spirit of conservatism which dominates old country banking. For many years, the Bank of British North America has had general managers of ability, experience and foresight. Mr. H. B. Mackenzie, the present general manager, is not an exception. He visited London recently in connection with the annual meeting of the proprietors of the bank and his address on that occasion, dealing with the Canadian position generally, attracted considerable attention.

The seventy-eighth annual report and balance sheet show that the profits for the year including \$93,446 brought forward from November 30th, 1912, amount to \$783,191. Of that, \$194,666 was appropriated to a dividend paid last October. This left a balance of \$588,525, which the directors proposed to distribute as follows:—Payment of a dividend of forty shillings per share, \$194,666.66; payable, less income tax, on April 4th; transferring to the reserve fund, \$97,333.33; transferring to bank premises account, \$97,333.33; payment of a bonus of 5 per cent. to the staff, about \$36,500; leaving a balance to be carried forward of \$108,437.58.

The dividend will make a distribution of 8 per cent. for the year.

An examination of the financial statement shows the bank to be in an excellent position. An analysis of the balance sheet and a report of Mr. H. B. Mackenzie's interesting address appear on another page of this issue.

DEBENTURES AWARDED.

Esquimalt, B.C.—\$300,000.
Port Alberni, B.C.—\$220,000.
Watrous, Sask.—\$70,000 6 per cent. 30-years, to Messrs. W. L. McKinnon and Company, Toronto.
Eastview, Ont.—\$35,000 5 per cent. 30-years separate schools, to Mr. J. B. A. Boudreau, Ottawa.
Beaconsfield, Que.—\$50,000 5 per cent. 30-years, to Messrs. C. Meredith and Company, Limited, Montreal.
Kamsack, Sask.—\$124,000 5½ and 6 per cent. 15-30 years, to Messrs. W. L. McKinnon and Company, Toronto.
Lethbridge, Alta.—\$23,000 5 per cent. 30-years, to Messrs. W. A. Mackenzie and Company and Dominion Securities Corporation, Toronto.