

posedly debarred from trenching upon the bank's prerogative of discounting commercial paper, they make a practice of buying notes—so that the prohibition is of little real effect. It is to be remembered, of course, that there are still notable exceptions to the general departure of trust companies from their original office. There is no doubt, however, that banking has become more and more an important part of the business of the majority.

It is not the mere unfairness of their competition with the banks that is the most serious menace to United States financial stability. In practice, the outstanding feature of trust company activity—in the case of the larger institutions, at all events—is the part played in promoting, organizing and reorganizing corporate enterprises, in which they act both as trustees and fiscal agents. While they are not supposed to take risks on their own behalf in such matters, it has become quite the customary thing for them to advance capital, and even promote organizations and reorganizations, holding resultant stocks and bonds among their own investments. Indeed, more than one prominent "corporation trust company" is recognized as having been formed almost solely for some such special ends.

That institutions with such latitude in their practical powers should continue to be exempt from the restrictions to which banks are subjected seems a serious anomaly. Incidents were not wanting in the recent panic which bore out the belief that some trust companies had adopted get-rich-quick methods that cannot be too strongly deprecated; and were they alone the sufferers from the results, "one might be tempted to suggest that they had got their punishment."

In Canada, fortunately, there is no corresponding menace in the trust company situation, although the Dominion is the one country which has corporations of similar name and of apparently similar purpose. It is interesting to note, indeed, that in the strict sense of the term, there are no trust companies in Europe—though certain of their functions are performed by various other institutions. While, as mentioned elsewhere in this issue, there are a few Canadian trust companies that advertise for deposits, they have not entered into active competition with the banks in this regard. Instead, they fulfill pretty completely the purpose for which the New York trust companies were originally intended—a purpose described as follows by Mr. A. K. Fiske, associate editor of the New York Journal of Commerce:

"Among the proper functions of trust companies is having custody of funds from various sources for safe-keeping or investment, managing estates and properties, collecting the income and paying

the expenses for the owners and receiving a commission for the service. They may act as executors and administrators in settling the estates of deceased persons and as guardians for minor heirs, and have charge of funds the right to which is in litigation, or which are in the custody of courts."

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**Plans for Trust
Company Regulation.**

Enough of the past—what of the future? Two lines of reform have apparently suggested themselves for New York: first, an association of trust companies modeled after the Clearing House, or second an affiliation of these companies with the Clearing House. The latter proposition seems likely to come from the associated banks themselves, but until exact conditions are announced, it is difficult to surmise the chances of successfully carrying out the plan. If affiliation with the existing Clearing House is not brought about, there is little doubt but that the trust companies will have learned their recent lesson sufficiently to undertake the establishment of a similar organization among themselves. The way was paved for such action last week when a general agreement was reached, largely through Mr. J. P. Morgan's wise counsels, by which the trust companies will in future co-operate for mutual protection. Such agreement naturally involves some abandoning of reckless, free-lance financing. Conservatively managed institutions would enter into such an undertaking only on the definite assurance that all other parties to the arrangement would content themselves in future with legitimate and conservative business methods.

There are those who consider that recent events will have—or, at any rate, should have—brought about so chastened a spirit on the part of the trust companies that they will be willing to submit to reasonable regulations imposed by the New York Clearing House. "Certainly," to quote again *The Financier*, "it is due to the city of New York and the entire country as well, that the trust companies shall maintain at least as high a standard and administration as the most conservative banks set for themselves. The trust companies are here to stay. They are already formidable competitors of the banks, but they should not be permitted to solicit the business unless they can show good reasons for receiving it. The time to act on this question is now, and it is to be hoped that the Clearing House will not postpone the work."

That the Clearing House Association can do much to remedy practical evils within banking ranks was strongly evidenced by its recent treatment of the Morse chain of banks. Were trust companies also amenable to its influence, the results should be good.