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THE BANKING POSITION.

The annual reports of the important banking institutions which have appeared within the last few days confirm the impression created by the Bank of Montreal's half-yearly report last week of the great strength of the Canadian banking position at the present time, and of the ability with which the banks are being guided through a period of remarkable and unique difficulty. While the Imperial Bank shows in its new statement readily available assets equal to over 59 per cent. of its liabilities to the public, the Merchants Bank announces actual cash holdings—specie and Dominion notes—equal to 22.9 per cent. of liabilities to the public, more than double the proportion held a year ago. In both cases, substantial earnings have been sacrificed in order that a strong position may be maintained. A decrease of over \$200,000 in earnings is reported by each of the banks named in comparison with their previous financial year. This sacrifice no doubt has been willingly made, in the interests of the safety both of the individual institutions and of the financial fabric generally. The important point, however, is that it has been made, for to judge by the loose talk of some folk, even legislators, it might be supposed that banking is unlike any other business, and that, no matter what conditions may be, the banker can acquire large profits without any difficulty.

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The crisis which was precipitated by European complications last July and the unprecedented conditions which have since ruled and will probably continue for some time to come, have demonstrated afresh the inherent soundness and strength of the Canadian banking system. The firmness of its foundations had been previously tried by periods of crisis, but nothing which has gone before has equalled in severity the present test. Probably, it will only be possible clearly to appreciate the magnitude of the crisis thrust upon the banks and the excellence of the administration which steered them successfully through its dangers, when present-day affairs can be viewed in perspective during the quiet of a renewed period of normality. This much is, however, clear. The Canadian system of large institutions entrusting the direction of their affairs to experienced financiers of proved ability and judgment, which while actively competing amongst themselves for business in normal times, are yet able to make a common stand in times of danger, has abundantly justified itself. Doubtless the ignorant and prejudiced—whom we have always with us—in the future continue to cavil at the banks, and put forward hare-brained schemes for the revolution of Canadian banking. The vast

majority of business men, however, will remember with satisfaction the great services in the maintenance of the Canadian financial fabric which were rendered by the banks during the darkest days of 1914. The banks have sustained a feeling of confidence that possibly enough would have broken down had the banking circumstances of Canada been other than they are. It is easy to conceive that had there been in Canada last year local independent banks, such as were sturdily advocated no longer ago than the last revision of the Bank Act, there might easily have been serious financial disasters.

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As it is, general confidence in the soundness of the Canadian banking structure has been steadily maintained through the darkest days. A few ultra-nervous people here and there may have withdrawn deposits but at no time has there been a serious run on the banks. Whatever days of adversity there may be in the future, the demonstrated power of the banks will be sufficient to keep the public's confidence. One small new institution has gone under, but it was already in difficulties prior to the outbreak of war, and it was at once recognized that the failure had no general significance. Probably the recognized leaders of Canadian banking have from time to time advised the smaller institutions as to the course which should be adopted in cases of exceptional difficulty. One point comes to mind which may yet necessitate delicate handling. While the banks have recently reported reduced profits, it is to be anticipated that they have not yet passed the worst of their experience in that connection. There may be the temptation in some cases to continue the dividend at a level which is not justified by the profits of the business. In those circumstances the courageous course of cutting the dividend would be the wise one. Under normal circumstances, indeed, such action would be likely to provoke comment of an undesirable character. But the present times are not normal, and the cutting of a dividend with a frank statement of the reasons why would be readily understood, and infinitely preferable to the distribution of funds that would be better employed in the maintenance of a bank's position. A Western institution has recently adopted this course. Such action may be disappointing to shareholders and lead to temporary depreciation in the market value of the stock. That, however, is a minor matter compared with the desirability and even necessity of the maintenance of the banking institutions of the Dominion in the strongest possible position alike in their own interest and in that of the country at large.