

3 GEORGE V., A. 1913

National banks failed in 43 years..	5½ per cent.
Other U. S. banks failed in 43 years..	17½ “
Canadian banks failed in 26 years..	25 “
National banks failed in 26 years (same period)..	5 “

‘External inspection must not be regarded as an unfailing cure; it has its limitations, and the best that can be said of it is that it is a preventative that, if properly applied, will make bank failure almost unknown. An inspector cannot discover an embezzlement until after the act is committed; neither can he avoid a ruinously bad debt made before his visit, but the progress toward failure is generally slow and in the majority of cases a prudent inspector would, by his advice and authority, save the situation and direct the management into safe channels.

‘The subject of the establishment of an affective bureau of inspection is one of the utmost importance, for, unless it is founded on conservative lines, in which the interests of all sound institutions are carefully conserved, much more harm than benefit would ensue. Bank shareholders are the parties with the major interest at stake, and for the present, the subject would be better if left to them and to their representatives, in the hope that a satisfactory solution of the problem may be reached.’

H. C. McLEOD.

Toronto, November 21, 1906.

BANK INSPECTION FROM WITHIN.

Copy of an article which appeared in *The Globe* of November 28, 1906:

‘About three weeks ago *The Globe* threw out the suggestion that, whatever might be the merits or efficiency of government inspection of the transactions of a chartered bank, it might be a good thing to have an officer appointed by the board of directors, who would be independent of the general manager, and whose duty it would be to inspect, in the fullest sense of that term, the head office as well as any branches he might choose to visit. One suggestion included the idea that this official, howsoever entitled, should report to the directors, not to the manager, and that he should inform the board of the dealings of the directors individually with the bank. Such reports as a competent official, armed with such inquisitorial authority could make to his board might be of great advantage to the bank, because they would be the best practicable guarantee to the depositing and note-holding public that no questionable transactions were tolerated in the institution.

‘It is interesting to learn, from a report in another column, that the directors of the Traders’ Bank of Canada have taken a new departure in the line of the above suggestion, and have actually appointed a directors’ auditor and president’s assistant. While this is the first formal appointment to the position so designated, it appears from the published statement that the system described has already been tried by the Traders’ Bank with satisfactory results. It would not be surprising to find the precedent thus set followed by other banks, to the general advantage of the community.’

BANK INSPECTION FROM WITHOUT.

Copy of letter by Mr. McLeod which appeared in *The Globe* of November 29, 1906:

‘To the Editor of *The Globe*: With reference to a leading article in your issue of to-day under the above caption, I most respectfully beg to ask what benefit would have accrued from an inspection by an employee of the bank and a special representative of the board of directors in any of the following mentioned failures:—The Exchange Bank of Canada, the Maritime Bank of Canada, the Bank of London, the Central Bank of Canada, the Federal Bank of Canada, Commercial Bank of Manitoba, Banque Ville Marie, the Bank of Yarmouth, or indeed of almost any other bank that has failed, omitting the Ontario Bank, the facts of which failure are now the subject of inquiry by the courts.