BANKING & FINANCIAL NEWS.

CANADIAN BANKING PRACTICE.

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LXVII.

In that event, whoever is appointed to wind it up must first satisfy the rightful claims of all creditors, after which the residue will be divided among the stockholders pro rata to the amount of their stock holdings. Unless this voluntary winding up is decided upon, the bank holds the capital it gets from its stockholders in perpetuity, or until it "fails to meet its liabilities as they accrue." This latter is styled suspension, failure, or insolvency, and when it occurs the bank is to be liquidated unless arrangements can be made to start it again.

Double Liability Clause.

The liquidation is not left in the hands of the owners or stockholders. Through their failing to meet their liabilities as they accrued the business is taken out of their hands, and the creditors, or rather the Canadian Bankers' Association, acting for them, appoint a representative, who has control over the liquidation. In this case also the debts must be paid and the residue, if any, distributed among the stockholders. It happens sometimes that the assets of a failed bank are not sufficient to pay off its debts. Then the stockholders are called on to contribute under the terms of the double liability clause of the Bank Act.

Under this, each owner of a paid-up $100 share is liable to the extent of a further $100 to the bank's creditors. But though a stockholder may not claim from the bank money paid for his shares, he is at perfect liberty to sell his interest to anyone who will buy.

In Montreal and Toronto there is a regular market for bank stock, the shares of the principal banks are continually changing hands. When a sale is made the seller must transfer his stock to the buyer. Shares also change owners when a stockholder dies and his estate is divided among his heirs. In that case, they are said to be transmitted.

The record of the names and holdings of the owners of the bank is kept in the stock ledger. Each stockholder has an account the number of shares or the par amount of stock held by him being his balance. In balancing the ledger, a list of the accounts is made, the balance of each one being shown. The total must equal the amount of the bank's capital. In the case of the hypothetical bank taken, the total would have to be at every balancing 10,000 shares or $1,000,000.

Payment of Dividends.

Next, let us suppose this same bank has declared a quarterly dividend of two per cent. on its stock payable 1st September to stockholders of record 15th August. In all advertisements of dividends this legend will be seen. It means that the bank gives formal notice beforehand that the parties who own the stock on the evening of 15th August will receive the dividend. In the head office general ledger, $20,000 will have been debited to profit and loss account and credited to "Dividend No. 42," let us say. A balance of the stock ledger is taken as at 15th August and the $20,000 is distributed among the holders of the stock at that date.

The stock clerk has always to exercise great care in the matter of allowing transfers and transmissions. He has to see that they are legal and proper in every way. If there is a tax on transfers, that must be paid, he must be satisfied that the party wishing to transfer has the right to do so. Very often it is necessary to consult ancient wills or other documents which are kept on fyle, as stock is sometimes put unto the names of certain holders, but the right to transfer withheld.

GUARANTEE COMPANIES AND PROSECUTION.

Certain Clauses in Bonds Excite Comment—Companies May Consider the Question.

A point involving the obligation of guarantee companies has arisen in connection with recent defalcations in the Toronto City Treasurer's Department. The day following their discovery, the guarantee company concerned was duly notified of the fact and a claim was entered for the amount of the loss. Owing to the peculiar circumstances of the case, the company have decided to exercise, as provided by the terms of the agreement between them and the Corporation, their right to withhold settlement of the claim until satisfactory proofs of its validity be furnished. That is to say, they demand that the guilt or innocence of the alleged defaulter be decided by the criminal courts.

Some doubt seems to have existed in the minds of the city officials as to the necessity for prosecution in order to substantiate a claim of this sort. In conversation with a press representative, Mayor Oliver stated that if he found there was such a clause in the bonds, he would see that future ones were given to a company that did not require it. It is possible that such a company would be difficult to find. In the agreements of all the leading companies, at any rate, there are clauses stipulating that reasonable proofs and particulars of the correctness of claims be made within three months after the discovery of any embezzlement, and that, if required to do so, the defaulter shall be prosecuted.

These Are The Clauses.

They read in full as follows:—

Provided, That on discovery of any embezzlement or theft of money by the Employe as aforesaid, the Employer shall immediately give notice in writing thereof to the Company, and that full particulars of any claim made under this Agreement shall be given in writing addressed to the Manager of the Company for the Dominion of Canada, Toronto, Ontario, within three months after such discovery as aforesaid; and the Company shall be entitled to call for, at the Employer's expense, such reasonable proofs and particulars of the correctness of such claim, and of the correctness of the statements made at the time of effecting this Agreement or made or deemed to be made at the time of the payment of any renewal premium, as the Directors may think fit, and to have the same particulars, or any of them, verified by statutory declaration. This Agreement is entered into on the condition that the business of the Employer shall continue to be conducted and the duties and (except that it may be increased) the remuneration of the Employe and the method of examining and checking his accounts shall remain in every material particular in accordance with the statements and declaration hereinbefore referred to, and if during the continuance of this Agreement any circumstance shall occur or change be made, either temporarily or otherwise, which shall have the effect of making the actual facts materially differ from such statements or any of them, without notice in writing thereof being given to the Company at its Chief Office for Canada, and the consent or approval in writing of the Company being obtained, or if any suppression or mis-statement of any material fact affecting the risk of the Company be made at the time of the payment of the first or of any subsequent premium, or if the Employer shall continue to entrust the Employe with money or valuable property after having discovered any act of dishonesty on his part, or shall fail to notify the Company of the discovery of any such act as hereinbefore provided (for which the Company would be liable under the terms of this Agreement) or of any Writ of Attachment or Execution issued or judgment obtained against the salary or property of the Employe, as soon as it shall have come to the knowledge of the Employer, or if the Employer make any settlement with the Employe for any loss hereunder without the consent in writing of