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BRYCE, McMURRICH & CO.

Toronto, December 8, 1870.

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THE

Monetary and Commercial Times.

WITH WHICH HAS BEEN INCORPORATED

THE MONTREAL TRADE REVIEW.

TORONTO, CAN., FRIDAY, DEC. 30, 1870.

THE PAYMENT OF BILLS—CROSSING CHEQUES.

We referred recently to the objectionable custom adopted by certain banks, of giving notice to the payers of notes and acceptances in circulars quite open, so that the contents could be read by any one into whose hands they fall. The custom arises from the practice of making bills payable at the residence of the payee, who, in too many cases, is careless in noting the time of maturity. This practice is open to several objections, and we should be glad to see a different one come into favor. Traders in England make all their bills payable at the London agents of their bankers—those residing in London, of course, excepted. The bills discounted by banks are sent up to their agents for collection, usually some weeks or more before maturity, and are assorted by the London banker, all payable at one bank being placed together. The country banker forwards daily a list of those bills which are to be honored; these bills are then referred to by the London agent, and he pays all such as are so advised, and after noting, returns dishonored any not on his lists.

The economy of this mode is great, and the simplicity of it lessens materially the risks of collecting. Indeed, the whole machinery of collecting and settling for the enormous mass of bills made in England, amounting daily to millions sterling, is far less costly and cumbrous than what is em-

ployed for collecting the mere handful of bills made in Canada. There is, too, this advantage: the bankers expect to receive early every month a list of notes, &c., maturing against each customer during that month. This compels every trader to notice beforehand for himself what his coming engagements are, and to provide funds in time; it gives also the banker an insight into the business of the coming month, and enables him to make timely arrangements with the customer for due payment of these obligations. The English custom informs each bank of those bills which have been paid every day, and those which have been held over for noting, so that in case of any omission or irregularity by either the bank or payer, there is time to prevent the bill being returned dishonored, which, in many cases, has saved the credit of a trader from the disgrace of a "returned bill." To any one conversant with the internal machinery constantly at work in forwarding bills to any point in the country from every other part, notifying payers and collecting them, it must be evident, now the banking system is so well developed, and communication so rapid between bankers and head-offices, that it would highly conduce to the economic working of the discount and collecting departments of the banks, and to ensuring greater attention by the payers of bills to their current engagements, were some modification to be adopted of the centralized system as here described.

There is another custom which deserves the serious consideration of bankers and traders—that is, the "crossing" of cheques for purposes of safety in transmission. Were some great fraud to be committed which this custom would have rendered impossible, it would at once be adopted. That fraud is possible, and the risk, constant and imminent, should be enough to secure its adoption. Indeed, the bankers in the old country were so impressed with its value as a check upon irregularities, that the person who suggested its adoption was presented with, we believe, £2000 sterling for his idea. The whole practice is simplicity itself. Supposing you are sending, by hand or by post, a cheque on your banker; you draw two parallel lines, about an inch apart, across the face. By an understanding amongst the banks, this cheque would then only be negotiable through a bank—that is, the banker it was drawn on would not pay it to any individual, but only to another banker. In sending cheques to a banker for deposit by a clerk, this precaution would obviate all chance of misappropriation of such monies, which some only too well know to be a very valuable protection. Within the last

half-year, a servant sent to deposit a cheque in a Canadian city, drew the funds, \$15,000—and has not since been heard of. "Crossing" infallibly ensures that the cheque will not be paid to any fraudulent holder, for no banker will cash a cheque on another bank, for anyone but a customer, or some one well known as responsible. It is universally adopted by English banks on transmitting cheques by post. There all cheques are collected through the clearing house, that is, the London agents of country banks, are the medium of paying all cheques drawn on the country banks. At the close of each day every cheque for collection is crossed with the name of the bank's London agent and sent to him, which is an enormous saving of trouble and risk. Here, for every bank on which cheques are held at the close of the day, a separate letter is required, a separate advice and entry for the debit, and a separate entry when received. By each post here, bankers are receiving letters containing one or more cheques, every such letter necessitating an acknowledgement, whereas by the arrangement indicated, one letter would bring every cheque for collection that day from all parts of the country where they had been sent or taken, and the same letter which took all those sent out for collection would acknowledge those received. Here, too, instead of a stamp across the face, which any boy could put on as fast as he could strike a pad, every cheque has to be stamped, and signed by an official, a tedious and time-wasting process. It is, too, merely available by bankers for their remittances to each other, whereas "crossing" is equally for the use and protection of every trader.

We have no hesitation in affirming that the system of centralizing the payment and collection of bills of exchange and cheques would effect a considerable saving in the working expenses of the banks. The plan of "crossing" cheques has only to be understood to commend itself to the bankers and the mercantile world as the simplest and most efficacious protection against irregularities or fraud, arising either from the loss or mis-sending or stealing of cheques, which could be devised. For a minimum of trouble it secures the maximum of safety. Its general adoption cannot long be delayed. Any practical banker will see what an advantage it would be in the administration of a Head Office to receive all the bills discounted by the branches for inspection and arrangement, and how economical would be the concentrating there into the bill ledger, from which complete returns could be drawn, in comparison with the present mode of keeping the bill entries at each branch and requiring copies and classification of these entries to be forwarded to Head Office periodically.