

**Bank Clearings.**

The following tabulated statement of the monthly totals of bank clearings at the principal cities of the Dominion appears in the July number of the Canadian Bankers' Association Journal, and, as an indication of the increase in the volume of business, forms an interesting study for those who regard such statistics as evidence of commercial progress:—

	MONTREAL.		TORONTO.		HALIFAX.		HAMILTON.		WINNIPEG.		ST. JOHN.		VANCOUVER.		VICTORIA.	
	1897-8.	1898-9.	1897-8.	1898-9.	1897-8.	1898-9.	1897-8.	1898-9.	1897-8.	1898-9.	1897-8.	1898-9.	1898-9.	1898-9.	1898-9.	1898-9.
June .....	\$ 54,616	\$ 59,471	\$ 29,842	\$ 36,966	\$ 4,997	\$ 2,544	\$ 3,001	\$ 5,531	\$ 7,397	\$ 2,566	\$ 2,502	\$ 2,689	\$ 2,838	\$ 2,818	\$ 2,849	\$ 2,849
July .....	\$ 52,831	\$ 6,423	\$ 33,802	\$ 35,727	\$ 6,308	\$ 5,851	\$ 3,117	\$ 5,616	\$ 6,316	\$ 3,116	\$ 2,927	\$ 2,700	\$ 2,441	\$ 2,441	\$ 2,441	\$ 2,441
August .....	\$ 49,240	\$ 55,578	\$ 29,640	\$ 32,390	\$ 5,551	\$ 2,412	\$ 2,655	\$ 6,298	\$ 6,180	\$ 2,874	\$ 2,050	\$ 2,050	\$ 2,050	\$ 2,050	\$ 2,050	\$ 2,050
September .....	\$ 55,080	\$ 61,846	\$ 32,646	\$ 33,332	\$ 5,164	\$ 2,971	\$ 2,773	\$ 8,035	\$ 6,414	\$ 2,620	\$ 2,508	\$ 2,518	\$ 2,518	\$ 2,518	\$ 2,518	\$ 2,518
October .....	\$ 59,346	\$ 66,334	\$ 35,736	\$ 38,539	\$ 5,817	\$ 4,408	\$ 2,978	\$ 13,291	\$ 9,347	\$ 2,498	\$ 2,168	\$ 2,168	\$ 2,168	\$ 2,168	\$ 2,168	\$ 2,168
November .....	\$ 59,166	\$ 67,246	\$ 34,286	\$ 39,143	\$ 5,860	\$ 2,878	\$ 3,447	\$ 13,553	\$ 11,553	\$ 2,660	\$ 2,660	\$ 2,660	\$ 2,660	\$ 2,660	\$ 2,660	\$ 2,660
December .....	\$ 59,599	\$ 69,443	\$ 35,986	\$ 43,568	\$ 5,738	\$ 3,094	\$ 3,334	\$ 9,784	\$ 10,708	\$ 2,738	\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,740	\$ 2,740
January .....	\$ 60,334	\$ 64,850	\$ 37,830	\$ 42,388	\$ 5,913	\$ 3,028	\$ 3,274	\$ 6,347	\$ 7,683	\$ 2,417	\$ 2,477	\$ 2,477	\$ 2,477	\$ 2,477	\$ 2,477	\$ 2,477
February .....	\$ 62,332	\$ 62,432	\$ 33,414	\$ 40,318	\$ 4,446	\$ 2,663	\$ 2,807	\$ 5,577	\$ 6,209	\$ 2,022	\$ 2,212	\$ 2,212	\$ 2,212	\$ 2,212	\$ 2,212	\$ 2,212
March .....	\$ 60,043	\$ 69,616	\$ 39,012	\$ 40,646	\$ 4,285	\$ 3,021	\$ 3,122	\$ 5,608	\$ 6,756	\$ 2,148	\$ 2,301	\$ 2,301	\$ 2,301	\$ 2,301	\$ 2,301	\$ 2,301
April .....	\$ 50,003	\$ 61,249	\$ 33,035	\$ 39,182	\$ 4,472	\$ 2,858	\$ 3,394	\$ 6,240	\$ 6,916	\$ 2,254	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404	\$ 2,404
May .....	\$ 56,475	\$ 71,777	\$ 34,374	\$ 44,349	\$ 4,798	\$ 2,932	\$ 3,513	\$ 8,653	\$ 7,472	\$ 2,513	\$ 2,910	\$ 2,910	\$ 2,910	\$ 2,910	\$ 2,910	\$ 2,910
	\$ 677,969	\$ 769,989	\$ 499,444	\$ 467,674	\$ 63,863	\$ 34,039	\$ 37,150	\$ 94,860	\$ 92,931	\$ 30,426	\$ 30,407	\$ 30,426	\$ 30,426	\$ 30,426	\$ 30,426	\$ 30,426

(000 omitted)

mences business without a reserve fund. While it remains in that position it is liable to incur losses in excess of profits; such a result has occurred. Whenever this happens there has been an impairment of the Capital to the extent of the difference of excess between losses and profits. This will suggest to the management the necessity for making some special provision against any such dangerous contingency, by laying aside out of profits in a more prosperous year a sum which is reserved specially to keep the Capital intact. Primarily, then, a Reserve Fund is a sum laid by out of profits to protect Capital from impairment. This, which is the primary function of a Reserve, is also the only one which is an absolute prudential necessity. Its other functions, though not a necessity, are highly desirable in order to enhance the credit and the financial reputation of a bank, and to maintain the dividends at a fair rate, undisturbed by fluctuations, so that shareholders may rely upon their incomes from their investment being as far as possible a fixed quantity. Were it absolutely certain that a bank would always clear, every year a net profit enough to pay an average dividend, say from 7 to 10 per cent., no Reserve Fund would be necessary, for then the Capital would be in no danger, nor the dividends of one year need helping out from those reserved in preceding years. But such certainty in banking is impossible. Therefore, every prudent banker from the start reserves some of his profits, which he stores up to meet future contingencies, the sum of these undivided profits being his Reserve Fund.

This Fund becomes practically a part of the Capital of a bank, as the bulwarks of a ship are a part of the structure. Every shareholder has a proprietary interest in a Reserve Fund as a partner in the business out of the profits of which it has been built up. When he wishes to retire from such partnership by selling his shares, the bank does not hand him over his *pro rata* share of the reserve. But in transferring his interest in the concern, by the sale of his shares to some one who is to take his place, he expects and, as a rule, finds that the *par* value of his shares has been enhanced by a sum called the *premium*, which represents, mainly, the share he owns in the Reserve Fund and the dividend advantages it secures. Thus a shareholder who complains of the whole of a bank's profits not being distributed, as though their reservation had deprived him of something to which he had a right, overlooks the fact that his partnership rights have been thereby enhanced in value.

We venture to regard the fact that the banks of Canada have an aggregate Reserve Fund of about forty-five per cent. on their paid-up Capital as highly satisfactory evidence of the majority of them having been conducted with much prudence and a sagacious appreciation of the incalculable value of a Reserve Fund as a protection to capital, a safeguard to shareholders, as a basis for public confidence and as a source of income.

**A Reserve Fund.**

A considerable variety of opinion has been expressed by financial writers as to the nature, the objects and the proper disposition of a bank's reserve fund. The same principles affecting these funds in banks apply also generally to them when held by other business corporations. A branch when organized com-