

The Chronicle

Banking Insurance and Finance

ESTABLISHED 1881.
F. WILSON-SMITH,
Proprietor.

PUBLISHED EVERY FRIDAY.
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Editor.

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10 ST. JOHN STREET, MONTREAL.

Annual Subscription, \$3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, JULY 30, 1915.

THE BANKS' REST FUNDS.

Some years ago an eminent American professor in the course of a survey of the Canadian banking system criticised what he was pleased to term the "rest fund fad." He contended that the banks during recent years had devoted altogether too much energy to the building up of these reserves and that some of the energy which had been expended in this way could have been better directed in an extension of the capital account. It would be interesting to know, if under the changed circumstances of the present day, the eminent professor stands by his opinion. Certain it is that the existence of the large rests of the Canadian banks has considerably steadied the banking situation during the past twelve months. Some of the smaller banks have, quite legitimately, used part of these funds, the results of their previous foresight, to meet depreciation in securities, etc., while those institutions which have not been compelled to draw upon their rest funds in this connection, are in a considerably stronger position, particularly in relation to their shareholders, than they would have been with larger capitals and a lessened proportion of rest accumulations. The result of the banks' past practice has been to get better control of the dividend problem at the present time, and to minimise the temptation to place earning-power before safety. A course of action that may have seemed ultra-cautious and conservative in days of sounding prosperity and rapid development is shown in days of financial strain to have been a far-sighted and wise provision.

RESTS EQUAL PAID-UP CAPITAL.

At the present time, the banks' rest funds in the aggregate practically equal the paid-up capital. Eleven of the twenty-two banks have rest funds above or equal to their paid-up capital; three others, equal to 90 per cent. or above of their paid-up capital; three others between 50 per cent. and 90 per cent. In the four years between June 30, 1910 and June 30, 1914 there was a net expansion in the rest funds of some 34 millions, paid up capital

advancing during the same period some 16 millions net. Between June 30, 1914 and June 30, 1915, the rests decreased slightly in their aggregate amount in company with the paid-up capital, new additions not compensating for the loss to the aggregate through amalgamations and the closure of one bank. It will be in recollection that few of the banks made any addition to the rests at the close of their last financial year owing to reduced earnings, and the necessity of providing for heavy depreciation, etc. The comparative course of the rest funds and paid-up capital during the last five years is shown in the following table:—

June 30	Paid-up Cptl.	Rest.	% Rest to Capital
1910.....	\$ 98,728,342	\$ 79,370,321	80.39
1911.....	101,065,306	86,943,135	86.03
1912.....	112,588,537	101,031,186	89.73
1913.....	116,191,087	108,732,561	93.58
1914.....	114,811,775	113,368,898	98.74
1915.....	113,984,390	113,060,988	99.19

DETAILS OF REST FUNDS.

The following are the details of the banks' rest funds as at June 30, 1915:—

	Capital Paid-up.	Rest Fund.	% Rest to Capital
Montreal.....	\$ 16,000,000	\$ 16,000,000	100.00
Quebec.....	2,734,620	1,308,655	47.86
Nova Scotia.....	6,500,000	12,000,000	184.61
British.....	4,866,667	3,017,333	62.00
Toronto.....	5,000,000	6,000,000	120.00
Molsons.....	4,000,000	4,800,000	120.00
Nationale.....	2,000,000	1,800,000	90.00
Merchants.....	7,000,000	7,000,000	100.00
Provinciale.....	1,000,000	650,000	65.00
Union.....	5,000,000	3,400,000	68.00
Commerce.....	15,000,000	13,500,000	90.00
Royal.....	11,500,000	12,560,000	108.65
Dominion.....	6,000,000	7,000,000	116.66
Hamilton.....	3,000,000	3,600,000	120.00
Standard.....	3,000,000	4,000,000	133.33
Hoehelaga.....	4,000,000	3,700,000	92.50
Ottawa.....	4,000,000	4,750,000	118.75
Imperial.....	7,000,000	7,000,000	100.00
Home.....	1,945,376	400,000	20.52
Northern Crown.....	2,858,689	150,000	5.25
Sterling.....	1,202,938	300,000	24.94
Weyburn.....	316,100	125,000	39.54
	\$113,984,390	\$113,060,988	99.19

It is to be presumed that as in the case of the paid-up capitals, the banks' rest funds have reached at the present a periodical finality. Trading profits for the next year or two are not likely to be on so liberal a scale as to permit further substantial allocations in this connection, and it will probably be a long time before the securities' markets show such a marked recovery as to release again for other purposes amounts which have been used in providing for the present depreciation.

Mr. E. Roger Owen, general manager of the Commercial Union Assurance Company and Sir Gerald Ryan, general manager of the Phoenix Assurance Company of London, England were members of the committee appointed by the British Government to report on the question of aircraft and bombardment insurance. The committee formulated a scheme which has now been adopted by the Government.