

FINANCIAL NEWS AND NOTES

Private Banks in Canada

The Canadian Bank Act makes it an offence, with heavy penalties, for any person to use the title bank, banking company, banking house, banking association, or banking institution, excepting from this disability artificially chartered banks, but although this section has been operative for fifteen years, it has never been strictly enforced, and there are still not a few "persons" who carry the prohibited words "bank" or "banking" on their sign boards. Although not permitted by the law of the land to so call themselves, these bankers and all others carrying on a banking business, as a person or a firm, are known throughout our land as "private banks."

An article which appeared in these columns recently, referred briefly to the competition which the private banks are now encountering at the hands of the chartered banks. It might be added here that the largest part of that competition is caused by the new banks. These of necessity open offices in a few of the cities, where there is much business always to scramble for, but they are also compelled to hunt up likely locations in the country, where they can first of all secure deposits, and also transact such other banking business as may be available. They thus invade the domain of the private bank, which is usually the first in the field of banking in the smaller municipalities.

Banking is not a monopoly in Canada. There is no law to prevent any person lending money, or receiving deposits, or in fact, conducting almost any class of the business handled by a chartered bank, with one important exception, of issuing notes. The right of note issue is restricted to the Dominion Government, to their own Finance Department, and the chartered banks. The result of this freedom of banking has been the establishment of a large number of private banks in Canada, the number at present being about 130, with say 20 per cent. of these in the West, while the offices of the 34 chartered banks number in the neighborhood of 1,200. These private banks are under no supervision, they are not required to make reports to the Government, nor to make any public statement of their resources or liabilities. They conduct branch offices, and besides engaging in banking, may carry on the business of a loan company, real estate agent, or any other business. While these matters do not affect the borrower, they should be seriously considered by the depositor, who can have practically no knowledge of the standing of any private banker to whom he may entrust his savings. It has been the depositor who has suffered at the failure of every private bank in Canada.

The tendency at present is towards reducing the number of private bankers, and we believe that ten or fifteen years ago the number of these private banks was much greater than the figures given above. It will be readily understood that they are unable to compete successfully with a branch of a chartered bank that may locate in their town, at any rate for the best class of banking business. If, therefore, there is not sufficient of the lower class of business to make it worth while, but carrying a higher rate of interest, for the private banker, there

usually remains for him the alternative of absorption by the chartered bank, or bankruptcy. There are, however, many cases where both classes of banks work harmoniously together, the best class of business with its smaller margin of profit, together with the deposits, going to the stronger institution, while the local man secures the lower class of business, which to him is moderately safe, owing to his being in closer touch with the people, and to his being able to take security of a nature which is quite out of the province of his powerful neighbor. The private banker is also usually able to increase his loaning power by borrowing from the chartered banks on the security of the notes he has discounted, keeping, of course, an ample margin of his collaterals deposited in excess of his borrowings.

The extension of branches of the chartered banks to the territory of the private banker has without doubt been of benefit to the different communities, by the reduction of the rate at which temporary loans could be obtained by the farmers and others, for it must be confessed that the private banker in sole possession of his district has generally charged very high rates of interest. The future will probably show a continued reduction in the number of private banks.

The Bank Statement

The statement of the chartered banks for 30th June showed some features of general interest. The paid-up capital of the banks is \$82,095,000 (an increase over the same month of 1904 of more than \$3,000,000), and notes in circulation \$61,387,500. The difference between these two, \$20,707,500, represents the amount of additional circulation which the banks can issue to provide the money for gathering and moving what promises to be a record crop for Canada. It will be remembered that the attention was called in these columns to some of the banks who had issued new stock, in preparation for the anticipated increase in the demand for circulation this autumn.

The amount of specie and Dominion notes held is very large, \$53,786,504, an increase over June, 1904, of over \$5,000,000, an indication of exceptional strength. The total loans aggregated \$54,007,580.41, an increase of \$9,733,005, and the total deposits were \$12,610,068, an increase in the twelve months of \$53,440,846. A careful consideration of these figures indicates that Canada is growing in a very substantial fashion, and increasing her riches at an amazing rate.

Canadian Pacific Improvements

For the next two or three years the chief dependence of the Northwest must be on the Canadian Pacific Railway as an outlet for its grain crop. The Canadian Northern is proving itself a good second, but time is required to enable it to complete its main line and provide more branches. The work of constructing the Grand Trunk Pacific has not yet been commenced, and months may elapse before the preliminaries are concluded. Under these circumstances it is satisfactory to learn that besides building an immense number of additional box cars at the rate of fifteen a day, the Canadian Pacific Company has decided to lay a second track from Winnipeg to Lake Superior. The contract for the work has been let, and it is to be completed within three years. Long before that interval has elapsed, however, freight traffic will be greatly facilitated by the new line. By the fall of 1906 a great many miles

BANK OF TORONTO

INCORPORATED
1855

Does Your Money
Slip Through
Your Fingers?

Try the Saving Effect
of an account in the
Bank of Toronto
Savings Department.

Deposit all your spare money in a Savings Account; do not withdraw any unless absolutely necessary, and watch your balance grow. Interest will be added every six months.

THE SECURITY IS ABSOLUTE

Capital	\$3,000,000
Reserve	3,700,000
Total Assets	30,000,000

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of the new track should be laid in the middle of the section, so that trains may be able to pass each other without sidetracking for that purpose. There is good reason to believe that from this time forward the development of transportation facilities will be quite as rapid as the expansion of grain production.

The Mexican Light & Power Co., a Canadian concern operating in Mexico, has purchased all the light and power plants in that city. The amounts paid to the Mexican companies for their plants aggregates \$11,000,000, which is believed to be the biggest individual deal in the commercial history of Mexico. The total expenditures of the Mexican Light & Power Co., when work is completed, is said to be \$40,000,000.

Lectures in Dairy Building

Lectures will be given each afternoon at 2 p.m., beginning August 30th and ending Sept. 8th inclusive, in the dairy building at the Canada National Exhibition, as follows:

"Bacteria in Agriculture," Prof. F. C. Harrison, O.A.C., Guelph, Aug. 30.

"Cattle Feeding," W. P. Gamble, B.S.A., Guelph, Aug. 31.

"Drainage of Farm Lands," Prof. J. B. Reynolds, O.A.C., Guelph, Sept. 1.

"The Fruit Industries of the Dominion," A. McNeill, Chief, Fruit Division, Ottawa, Sept. 2.

"FARM FORESTRY," E. J. Zavitz, Lecturer in Forestry, O.A.C., Guelph, Sept. 4.

"Our Live Stock Interests," Prof. G. E. Day, O.A.C., Guelph, Sept. 5.

"Advanced Practical Agriculture," Prof. C. A. Zavitz, O.A.C., Guelph, Sept. 6.

"The Duties of the Patrons of Factories and Creameries," G. H. Barr, London, Sept. 7.

"The Requirements of the Dairy Markets of the Old World," Prof. H. H. Dean, O.A.C., Guelph.

Mr. McNeill will also give demonstrations in the packing of apples, plums, peaches and pears on Sept. 4th, 5th and 6th, either in the dairy or fruit building. Further announcements will be made later.