

PUBLISHED EVERY FRIDAY

BY

The Monetary Times
Printing Company
of Canada, Limited

Publishers also of

"The Canadian Engineer"

Monetary Times

Trade Review and Insurance Chronicle
of Canada

Established 1867

Old as Confederation

JAS. J. SALMOND
President and General Manager

A. E. JENNINGS
Assistant General Manager

JOSEPH BLACK
Secretary

W. A. McKAGUE
Editor

Grounds For Bank Amalgamations

**Economies Gained by Union—No Signs of a Money Trust in Canada
—Amalgamation Movement in Great Britain—May be Further Amalgamation in Canada—Progress in Banking in Recent Years**

BY A. B. BARKER

THERE has been little real opposition to the recently announced amalgamation of the Bank of Ottawa with the Bank of Nova Scotia, except in the Ottawa district, and that mostly on sentimental grounds over the disappearance of the name of an institution which has been so intimately connected with the industrial life of that section for over two generations. The long and honorable record of the Bank of Ottawa justly entitles it to the position it holds in the district from which it takes its name, and it is easy to understand local resentment at the change, even though there be material advantages in the scheme to both shareholders and clients. What other criticism there has been appears to be based on hostility to amalgamations in general, rather than to any specific reason. It has been suggested that a larger organization might be inclined to discriminate against farmers and the business men in the smaller communities, in favor of the larger borrowers in the cities in the matter of accommodation, but so far this tendency has not developed as a result of any previous bank amalgamation in Canada, and as a matter of fact bank credit is generally more readily obtained in the country than in the cities, and on terms equally favorable. One reason is that the banker in a smaller community is on terms of greater intimacy with his customers than is possible in the cities, and this personal relation governs their business dealings very largely. Farmers' business east and west is sought after by all banks not from any altruistic motives, but because it is looked on as good business, this class of loan showing a very small percentage of losses, taking the country as a whole. Banking facilities have certainly not been diminished and Canada shows a greater proportion of banking offices to population than any other country except Scotland. It is certainly greater than the proportion for Great Britain.

During the war the opening of new branches was necessarily checked by the shortage of men, but with the close of hostilities, a considerable number of new offices both in Ontario and the west have been announced.

The proposed merger appears to have all the essentials of a most satisfactory combination. Neither bank is a competitor of the other to more than a very limited extent, and each will be benefited therefore by an expansion of business opportunities at the minimum of expense. The Nova Scotia obtains the valuable connection of the Ottawa Valley and the lumber sections of Ontario, and the Bank of Ottawa a wide field from Halifax, the West Indies and Newfoundland on the east to Victoria on the west, together with the American connections in New York, Boston and Chicago. Without the amalgamation these connections could not be secured by either bank except by the opening of branches, a process requiring time, patience and money, as branches cannot be depended on to show profits on their operations for the first few years except under extremely favorable circumstances. By the merger this economic loss will be eliminated entirely, the clientele of each bank will benefit from the

increased facilities which the wider connections will afford, and the shareholders will profit from the greater earning capacity of the combination.

Report of British Committee

Last year, owing to several large amalgamations between British banks, considerable adverse criticism developed and a treasury committee was appointed to investigate. This report brought out the fact, that, in the history of British banking there had been some 300 amalgamations of which more than half had taken place within the last 50 years, and that since 1891 the number of British private banks had fallen from 38 to 7, and joint stock banks from 104 to 34. This number has been further reduced since. There had also been a change in the type of amalgamations which no longer consisted in the absorption of local banks by larger and more widely spread joint stock banks, but in the union of two joint stock banks both already possessing large funds, and branches spread over a wide area.

The movement in Canada has been along similar lines but not so pronounced and while in Britain one result, largely responsible for the opposition, has been to reduce the amount of banking capital; this has not been the case in Canada. In this country banking capital has increased.

The formation of a money trust was also investigated, but the committee could discover no signs of it, though the opinion was expressed that circumstances might produce something approaching it later.

In this connection it is interesting to know that the method of guarding against such an event, recommended by the committee, is identical with that provided by the Canadian Bank Act, which prohibits any amalgamation between banks, until permission is first obtained from the minister of finance.

The principle laid down by the committee, as that upon which the government should base their decision in the case of a proposed amalgamation, was that a scheme for amalgamating or absorbing a small local bank, or any scheme to secure important new facilities for the public, or a really considerable and material extension of area, or sphere of activity, for the larger of the two banks should normally be considered favorably, but that if an amalgamation scheme involved an appreciable lap of area without securing such advantages, or would result in undue prominence on the part of the larger bank, it should be refused. The opinion was also expressed that consideration should be given to the undesirability of permitting an unusual aggregation of deposits without fully adequate capital and reserves.

Expansion of Business

Banking resources and deposits have grown steadily with the development of the country from year to year as the following table for the last 10 years shows:—