ments of our customers we have adopted a restrictive policy during the year, having in view the very unsatisfactory condition of the money markets of the world, the wars and rumors of wars, the unsettled condition of affairs in the United States—the result of the uncertainty regarding tariff revision—and the tendency throughout the Dominion towards undue and speculative expansion in real estate values.

NEW CAPITAL.

The new stock allotted to Shareholders on the 30th June last has been satisfactorily taken up, the total amount outstanding being only $90,000, representing fractional shares and allotments to executors and individuals who have found it inconvenient to take up their allotments, preferring to allow the shares to be disposed of as provided for in the Act and on the understanding mentioned in their allotment letters.

SHAREHOLDERS.

Our Shareholders now number 1,586, as compared with 1,470 in 1912.

STAFF.

The staff of the Bank are 905 in number, an increase during the year of 87.

PENSION FUND.

This very important fund is steadily growing from your contributions and from accumulating revenue, and is $39,199 in excess of the previous year, after providing for all deserving cases. The Board has not so far called for contributions to the fund from the staff of the Bank, and the resources of the fund are entirely under the administration of the Directors.

NEW BRANCHES.

There has not been the usual expansion in the number of branches, and I should say from present appearances that a contraction is more likely. The difficulty in obtaining well-trained clerks owing to the cost of living, even quietly, at outlying places, in newly settled districts and the absence of home comforts, the opportunities afforded them to enter upon what to them appears to be more lucrative employment outside the Bank; the difficulties in new districts for a bank to make profit after providing for heavy expenses and the restrictions imposed upon banks in their charges for interest and commission, to which is to be added Provincial taxation, which is assuming from year to year a threatening and dangerous attitude (the annual taxes paid by banks to the various Provinces amount to no less than $315,838)—all make one hesitate to enter upon the establishment of branches in new parts of the country, even where banking facilities may be needed. The animosity to banks in and out of Parliament, which we cannot but recognize, appears to have risen from much misconception and from an alliance of divergent opinions. We are told, on the one hand, that banks are making too much money, and that their powers and profits must be curtailed; we are told, on the other, that banks are losing too much money, and that they must be inspected and reinspected and inspected again. It is a fact that banks are not making enough money considering the risks, the responsibilities and the turnover of the business, the indispensable assistance they are called upon to extend to the country—to the west in particular—and the severe competition with which they have to contend from within, and from all kinds of licensed competitors from without, who are free from unreasonable restrictions and can attract deposits by the offer of high rates of interest, with no obligation to maintain cash reserves, and who can charge rates proportionate upon loans. The situation seems preposterous; it is certainly unfair. Banks are compelled to furnish all kinds of information to the Governments for publication, lay bare their monthly balance sheets and statements of cash reserves, etc., whilst their competitors are comparatively free from restraints and publicity, free from the necessity of holding cash reserves, free from the obligation of furnishing monthly returns, free to give for deposits and take for loans as may suit their circumstances.

BANK PREMISES.

We have expended in connection with bank premises during the year the sum of $364,771; from the sale of premises we have applied the sum of $140,000 upon Bank Premises Account, and we have credited a further sum of $124,771 from the profits of the year.

RENEWAL OF BANK CHARTERS.

The Decennial Revision has been under way in Parliament since December 17, 1912. The Act has had its third reading in the Commons, and is now before the Senate. It is expected that the final revision will be concluded and the Act receive the Royal assent in a few days. The unfortunate circumstances connected with the recent failures of banks were reflected upon existing institutions, and we have had much prejudice and ill-will to contend with. The revised Act is, however, on the whole, a good, workable piece of legislation, and in many respects an improvement upon the present Act. One cause of censure in the Legislature is the reputed profits which it is said that banks have made in underwriting ventures. Complaints have been made regarding the financial starvation of the East through the transfer of deposits to the West, attracted by the high rates of interest following upon Western development and the opportunities to invest in lands at comparatively low cost. The elaborate proportions and extravagant expenditures upon bank premises have created very unfavorable comment. The vexed question of inspection or audit has been solved, and a system of audit by auditors selected by the shareholders of each Bank from amongst a Board of Auditors approved of by the General Managers of chartered banks and by the Minister of Finance has been agreed to. I take the opportunity to give you in a few words a resume of the important additions to and alterations in the Act so far as they have gone:—

Sections 12 and 16—Additional safeguards have been introduced in connection with the incorporation and organization of banks to ensure the bona fides of original subscriptions for stock, and to facilitate the recovery of unpaid liability thereon, while statements of disbursements for preliminary expenses will require to be submitted to the Treasury Board for approval before a certificate to commence business is issued.

Sections 18 and 20—Changes have been made in the internal regulations in providing for Shareholders being kept advised of the by-laws of the Bank in force from time to time by being furnished with copies of the current by-laws every five years, commencing with December 31, 1913, and by limiting the qualification shares of Directors to those of which they are absolute and sole owners in their individual rights.

Section 34—Facilities for speedier collection of original unsubscribed or new capital stock allotted to Shareholders are given by shortening, in the Directors discretion, the period within which acceptance of allotments must be made.

Section 43—Proposals have been introduced making the keeping of share and transfer registers in each Province in which Shareholders are resident compulsory, but it is hoped these provisions, which have many objectionable features, may yet be amended.

Section 54—The annual statement to be submitted to Shareholders has been somewhat enlarged, so as to make it more in keeping with the monthly return to the Government. Many new headings have been added, which make for a clearer and more detailed statement of affairs. The Monthly Government Return has also been improved in some respects.

Section 56—As already referred to, an important departure has been made in the introduction of an annual audit by qualified auditors appointed by the Shareholders from a panel selected by the General Managers of the Banks and approved of by the Minister of Finance. It will be the duty of these auditors, who are given the widest powers of access to the books, accounts and securities of the Banks, to check the cash and verify the securities, and make a report annually to the Shareholders. It is placed in the power of the Minister of Finance to call upon the auditor of a Bank, or any other auditor whom he may select, to make a special report at any time upon the affairs or business of a Bank.

Section 61—In addition to retaining the present emergency period, extending from September 1 in any year to the last day of February in the ensuing year, provision for a much required increase of circulation has been made against the deposit of current gold and Dominion notes, or either, in what is termed the "Central Gold Reserves." These Central Gold Reserves will be under the control of trustees appointed by the Canadian Bankers' Association and the Minister of Finance, and will be subject to frequent inspection and audit by the Department of Finance. It will be the duty of the trustees to