

profit this would have to be borrowed from the earnings of older policies. A serious practical difficulty involved in yearly distribution of surplus is exemplified in the state of affairs referred to in an article on the preceding page.

It is stated as probable that recommendations of the commissioners with regard to insuring adequate publicity of investments, etc., in the returns made to the Government will stand with but little change. In full publicity the Government will do well to recognize the existence of the greatest safeguard to the policy-holders.

The Royal Commission's unfortunate verbatim copying of whole sections of the Armstrong Bill has doubtless necessitated considerable revision in view of subsequent amendments by the New York legislature. It is to be hoped that the Government has duly profited by the recent outcome of various absurd provisions in the New York restrictive act.



#### BANKER AND CUSTOMER.

In his article in the October number of the Canadian Bankers' Journal, Mr. Doble refers to the practice of big firms in the United States issuing their notes in round amounts, \$5,000 and multiples thereof, and placing them, through note brokers, with country banks in various parts of the interior. A little while ago there was a considerable demand for paper of this class, and those who depended on this method of financing for getting their funds had no trouble in putting out heavy lines of credit. Now, however, their cases are among the most desperate of all. For the country bankers who invested in their paper were merely employing surplus funds, having in their minds the probability of realizing at the maturity of the notes. No bank now has surplus funds. All are doing their level best to turn securities of all kinds into cash. Every institution that has these notes wants them paid; some are prepared to put the makers into insolvency if default is made. And there is practically nowhere to borrow new money to pay them off. We can perhaps get a better understanding of the unhappy situation of some of these firms by supposing a Canadian house of undoubted wealth and credit, engaged in a business that required heavy advances from its bank all through the year, should be suddenly called on to pay off all its notes and bills as they matured, and that it could not get any other bank to lend the money to take up its obligations.

In this country, if that happened, it would be regarded as an outrage, unless the house's bank was known to be in a position so weak as to demand drastic action. Under our system and practice each bank is under an implied obligation to take care of its regular customers so long as the

customers are properly and profitably conducting their affairs and are worthy of support, and so long as the bank itself is able to do this without jeopardizing its safety. This obligation of the bank carries with it an implied obligation of its customer to keep his whole account with it. The bank says, "Give us all your business, borrow from us alone, and we will stand by you." If the customer divides his banking business among two or more banks when any one of them is willing and able to carry his whole account he is obviously weakening their obligation to stand by him. Of course, there are a number of accounts to which the above does not apply. Some of the largest corporations have accounts in two or more banks because their loans are larger than one institution cares to grant. But, in that case the several banks will likely act more or less in concert in working the account. Each one will be kept informed of the state of the others' advances; and in a time like the present they would probably agree amongst themselves as to the measure of support to be accorded by each. Then it is well known that such customers as stock and bond brokers are not expected to confine their transactions to any one bank. They have, to be sure, their deposit account with one bank, or perhaps two, but as for loans, that is purely a matter for negotiation. If their own bank has no surplus at the moment available for putting out on the stock market they go to whatever bank has funds to lend on reasonable rates and terms.

The great difference in practice across the line is quite largely due to the banking system. No doubt many of the firms whose paper circulates all over the country would be very glad to give all their business to one bank, borrow all their money from it, and rest easy about its ability and willingness to carry them in the day of panic. But the national banks of the United States are mostly very small concerns. Some few large ones there are in the big centres; outside of them the average capital per bank would hardly come to \$100,000. Such banks as these could not carry big wholesalers or manufacturers requiring to borrow anywhere from \$100,000 up to a million. Such transactions would swamp them. And besides the law prohibits any national bank from lending to any one borrower more than 10 p.c. of its capital. So the large firms are compelled to have recourse to note brokers, and to have their liabilities held by all and sundry, by institutions that have no interest in them apart from the particular note or notes that may be running.

About two weeks ago the National Shawmut Bank, the largest bank in Boston, issued a circular to its banking correspondents and connections urging them to be lenient with all worthy and