

*GOVERNMENT INSPECTION OF BANKS.*

Mr. McLeod, the General Manager of the Bank of Nova Scotia, has issued a pamphlet calling public attention to the necessity of some system of public inspection of our chartered banks, which seems a praiseworthy effort to provide some means whereby the interests of shareholders and others interested in such corporations may be more efficiently protected than they are at present.

The history of Canadian banks which have failed, will shew that banks entering on the downward path do not, as a rule, immediately go to ruin, the process is gradual, and is usually preceded by a resort to improper, not to say dishonest, methods and practices with the frantic hope that some lucky turn of fortune will redeem the situation, but this, after all, is nothing but the gambler's method of retrieving his fortunes, and as a rule it only results in plunging those who adopt that course more deeply in the mire.

The pamphlet speaks of various objections which have been raised against the independent inspection of banks, the only one, however, which seems at all formidable is that an inspection of accounts without a valuation of assets would be worthless.

It is quite true that a bank may on paper be made to appear perfectly solvent, when a proper valuation of its assets would shew the contrary. The remedy, however, for this is to provide that there shall be not only an inspection of accounts, but also a valuation of assets. It is said this cannot be done effectively except by officers of the bank, which seems to be likely, but then it should be competent for the inspectors to put such officers on oath as to such matters if thought necessary.

In England by 25-26 Vict. c. 89, s. 69, a special system of inspection of limited banking companies is provided for and can be made under the direction of the Board of Trade on the application of persons holding not less than one-third of the entire shares of the company.

The officers of the company are bound to furnish the inspectors with all the information in their power. to produce all