

JOURNAL  
OF THE  
CANADIAN BANKERS'  
ASSOCIATION

—  
*JANUARY—1898*  
—

PROCEEDINGS OF THE SEVENTH ANNUAL MEET-  
ING OF THE CANADIAN BANKERS'  
ASSOCIATION

THE seventh annual meeting of the Association was held in the legislative reception room at the Parliament Buildings, in the city of Toronto, on Wednesday and Thursday, the 26th and 27th days of October, 1898.

The chair was taken by the President, Mr. D. R. Wilkie.  
The following members were present :

BANK	REPRESENTED BY
The Bank of British North America -	E. Stanger (proxy)
" Bank of New Brunswick - - -	G. A. Schofield
" Bank of Ottawa - - - -	Geo. Burn
" Bank of Toronto - - - -	D. Coulson
" Banque d'Hochelega - - -	M. J. A. Prendergast
" Banque Jacques Cartier - -	T. Bienvenu
" Canadian Bank of Commerce -	B. E. Walker
" Dominion Bank - - - -	R. D. Gamble

The Eastern Townships Bank	-	-	W. Farwell
“ Imperial Bank of Canada	-		D. R. Wilkie
“ Merchants Bank of Canada	-		Geo. Hague
“ Merchants Bank of Halifax	-		E. L. Pease (proxy)
“ Quebec Bank	-	-	W. P. Sloane (proxy)
“ Standard Bank of Canada	-		George P. Reid
“ Traders Bank of Canada	-	-	H. S. Strathy

The following Associates were also present and registered during the various sessions: Wm. Cooke, J. W. Kennedy, W. Pringle, J. C. Kemp, F. W. Strathy, J. Aird, W. J. Robertson, W. B. Torrance, Wm. Grindlay, B. Austin, W. C. Young, A. F. H. Jones, R. C. McHarrie, D. A. Ferguson, A. Gordon Tait, R. C. Jennings, R. J. M. Carr, C. H. S. Clarke, R. S. Williams, J. A. M. Alley, W. G. Hinds, F. C. G. Minty, V. C. Brown, H. I. Minty, C. W. Clinch, H. C. Secord, G. deC. O'Grady, T. S. Harrison, A. S. Birchell, G. E. Hague, C. S. Rumsey, C. White, D. H. Charles, G. W. Hodgetts, J. R. Wainwright, C. A. Crosbie, T. A. Chisholm, W. C. J. King, A. W. Robarts, F. Carmichael, M. Morris, H. Jemmet, E. Hay, R. G. W. Conolly, R. M. Gray, E. L. Pease, E. W. Jarvis, J. M. Weymss, A. L. Whitely, N. A. Robertson, F. J. Dixon, J. S. McMurray, F. Cole, E. H. Fuller, E. Andrews, C. J. Noble, H. R. O'Reilly, H. J. Grasett, W. G. Browne, A. R. Capreol, E. P. Winslow, W. J. Kavanagh, N. Gordon, H. J. Coleman, S. D. Raymond, H. W. Fitton, R. Gill, W. Maynard, jr., W. R. Travers, D. B. Crombie, R. Ross, C. Cook, Jeffery Hale, F. O. Cross, and a number of others.

The President, in calling the meeting to order, remarked that one of the objects of meeting in the Parliament Buildings was to take the local members of the staffs of the various Toronto banks away from their immediate surroundings to do their duty by their visiting brethren. He called upon His Worship the Mayor of Toronto to extend to the visiting members a welcome to the city.

The Mayor in the course of his address of welcome dwelt upon the indications of prosperity everywhere present in Toronto, as reflecting the era of prosperity and progress which had set in

throughout the entire Dominion. In concluding he extended an invitation to all the members of the Association for a drive through the city.

The President on behalf of the Association acknowledged the Mayor's address of welcome, and expressed the thanks of the meeting for the kind invitation contained therein.

Letters of regret were received from Messrs. E. S. Clouston, General Manager Bank of Montreal; Thos. McDougall, General Manager Quebec Bank; and E. E. Webb, General Manager Union Bank of Canada.

At the request of the President, the minutes of the last annual meeting, as published in No. 2 of Vol. V of the JOURNAL, were taken as read, and confirmed.

#### REPORT OF THE EXECUTIVE COUNCIL

The Secretary read the Report of the Executive Council as follows:

##### *To the Members and Associates:*

The Executive Council beg to report as follows, concerning the work of the Association since the annual meeting of the 6th October, 1897:

Two meetings of Council have been held in addition to the final meeting this forenoon.

#### BI-METALLISM

The resolution adopted by the Association at the last annual meeting, approving of the course of the London clearing banks in opposing the proposition that the Bank of England hold one-fifth of its reserve in silver, was cabled by the ex-president to the chairman of the London Bankers' Clearing House Association. A prompt and gratifying reply was received to the effect that the resolution was most timely and had been forwarded to the Chancellor of the Exchequer and to the press. A later letter from the honorary secretary intimated that a deep impression had been made. These communications will be laid before you in the ordinary course of business. The correspondence will be found in No. 2, Vol. V, of the JOURNAL of the Association.

Although the last presidential election in the United States showed a satisfactory majority in favour of a gold standard, signs are not wanting that the free silver fallacy will again be a live issue in the approaching presidential campaign. A great deal of good work has been done in defence of the gold standard by a number of different organizations, whereas the silver advocates appear to have been narrowed down to a few coteries. At the same time the friendly reception by France of the United States Bi-Metallic Commission and the condition of affairs in connection with the currency of India, are factors in the future of the controversy; and your Council thinks it not improbable that the Association may again be called upon, with other representative bodies, to declare itself in defence of the gold standard.

## RESIGNATION OF THE SECRETARY

Your Council has to announce with regret that almost immediately after assuming office it was deprived of the valued services of Mr. W. W. L. Chipman, as secretary-treasurer, who, after having been connected with the Association from its inception, retired to accept an important position with a leading banking institution.

After careful consideration of the several applications for the vacant post, Mr. Arthur Weir, of Montreal, was appointed, and you will be asked to confirm his appointment.

In this connection it may be stated that considerable inconvenience to the general routine of the Association results from the circumstance that the president and secretary almost invariably reside in different cities. It is only proper that the Association should have some fixed headquarters, and this could scarcely be other than Montreal, having in view the geographical position and commercial pre-eminence of that metropolis, but there is no reason why the offices of the secretary-treasurer should not be separated so as to provide for the services of the secretary being always available to the president. The treasurer could continue as a permanent officer in Montreal in charge of the books, accounts, and records of the Association.

It is greatly to be regretted that while Montreal is the official seat of the Association, there is no branch of the Association in that city such as exists at other important centres, nor is the Bankers' Section of the Montreal Board of Trade in affiliation with the Association. It is to be hoped in the interests of Banking in Canada that this anomaly, which is open to serious misconstruction, will not continue.

## BRANCH ASSOCIATIONS

In accordance with the resolution adopted at the last annual meeting, and printed on page 159, No. 2, Vol. V of the *JOURNAL*, the banks in the cities of Quebec, Halifax, St. John, London and Victoria, were invited to constitute themselves sub-sections of the Association. Those at Victoria have done so, and the banks at Halifax have formed a semi-organization which will probably for the time serve the purpose. We regret that no definite action has as yet been taken by the banks in the other cities named.

It is possible that this unwillingness on the part of the local banks to form themselves into branch Associations, and of Board of Trade Sections to affiliate with the Association, is due to misconception. The Constitution of the Association clearly sets forth the limitations which would surround both the parent Association, the branch Associations and the affiliated Board of Trade Sections, and we venture to affirm that local institutions would find their position strengthened and their influence enlarged instead of weakened or confined by the action proposed.

## CONVENTIONS AND RULES RESPECTING ENDORSEMENTS

The Committee appointed at the last annual meeting to draw up a series of conventions and rules respecting endorsements completed its labours during the year, and the rules as printed at page 323, No. 3, Vol. V of the *JOURNAL* have since been formally adopted by all but five members of the Association.

## INFRACTIONS OF CLAUSE 100 OF THE BANK ACT

During the year your Council drew the attention of the Government to the apparent infraction of clause 100 of the Bank Act on the part of insti-

tutions not chartered under that Act. We were informed that several of these institutions claimed the right under old charters to act in contravention of the clause mentioned; but, upon requesting the names of such institutions we were informed that most of those complained of had since abandoned the use of the titles to which objection had been made. The duty of enforcing the law against those who are acting in contravention of the Act devolves upon the Dominion Government.

#### TRANSFER OF SPECIAL LEGAL TENDER CREDITS BY TELEGRAPH

No definite reply has been received by your Council to its request that the Government should authorize the Assistant Receiver-Generals to transfer special legal tender credits from one office to another by telegraph, when not inconvenient to the Government to do so.

#### LEGISLATION

The proposed and accomplished legislation of the past year as it directly interests the chartered banks has not been extensive, but your Council anticipates that the next two years will require the careful attention of its successors in this respect.

An Insolvency Act was introduced into the Dominion House last year by Dr. Fortin, but was not pressed to an issue. It is intimated that the Government may bring forward such an Act in the near future. Your Council avails itself of this opportunity to disabuse the public mind of a false impression which appears to exist regarding the position of the Association towards bankruptcy legislation. The Association has never exercised its influence against an insolvency measure as such, but has strenuously opposed and will continue strenuously to oppose the introduction of clauses intended to deprive creditors of their equitable rights by way of ranking upon the estates of insolvents. All that the banks claim in this regard is the preservation of principles similar to those which already prevail elsewhere and which were contained in the Dominion Insolvent Act of 1869, sec. 60.

Nor is the Association prepared to approve of any discharge clause that does not provide for the payment of a reasonable dividend to the creditors by the estate of an insolvent. The indiscriminate discharge of insolvents from their liabilities would be a menace to the legitimate trader and would tend to corrupt business morals; we look to all classes of the business community to aid the banks to make it impossible for a dishonest or incapable trader or manufacturer to resume business in competition with those who are attempting success only by honest and businesslike methods.

#### FOREIGN SILVER COIN

Your Council regret that they are obliged to draw attention to the large amount of United States silver coin now current in the Dominion, particularly throughout the North-West Territories and British Columbia. The free circulation of foreign coin hinders the growth of national sentiment, and its displacement of Canadian coinage deprives our Government of a legitimate source of profit.

#### QUEBEC CONFERENCE

Although the Association is not directly interested in the questions now before the International Commission, the settlement of which may have an important influence upon the political aspect of affairs, it looks forward with pleasure to the probable reduction to a basis of settlement of all questions in

dispute between the United States and Canada, but hopes that this much-to-be desired result will not be obtained by the sacrifice of any of the commercial interests of the country.

#### THE FAST LINE

Your Council expresses the hope that the long delayed improvement in communication by steamship with the Mother Country will be carried out in the near future. The closer trade relations which it is expected will result from the preferential clauses in the Canadian tariff will be hastened thereby. Considering the immense sums of money and grants of land that have been given to encourage inland communication, the country could well afford to complete the chain of communication between Europe and the Orient through the Dominion of Canada by the establishment of fast lines of steamships between Great Britain and our own seaports on the Atlantic and the St. Lawrence.

#### REDUCTION OF INTEREST ON POST OFFICE AND GOVERNMENT SAVINGS BANK DEPOSITS

Your Council was pleased to note an intimation made at the last session of the Dominion Parliament that the rate of interest on Government and post office savings bank deposits would be reduced to two-and-a-half per cent. from 1st of July of the current year, and although action was postponed, owing to possible financial distress in the United States that might have arisen through the recent war with Spain, your Council is in hopes that the reduction, which would be advantageous alike to the Government and the country at large, will not be long delayed. It is reassuring to note that since the reduction from a three-and-one-half to a three per cent. rate the deposits with the government have continued to increase.

There is no good reason for supposing that any reduction in deposits would follow from a two-and-a-half per cent. rate; on the contrary, bearing in mind the present quotations for Government securities, and the immense increase in the surplus capital of the country (the result for the most part of large harvests, good markets and increasing confidence in the country's future), it is the opinion of your Council that deposits would continue to expand, and that a lower standard of interest would prevail throughout the country, resulting in a large saving to the taxpayer and to the borrower. It is to be regretted that the rate on bank deposits in Canada of a maximum of three per cent. is not yet universal throughout the Dominion, owing to sectional rivalries and competition that cannot but prove unprofitable in the long run. Your Council is happy, however, to state that the payment of a higher rate than three per cent. is localized, and is paid upon but a very small fraction of the total bank deposits of the Dominion.

#### FRICION BETWEEN BANKS

It has several times been brought to the notice of your Council that at various points banks occasionally enter into unhealthy rivalry by the establishment of new branches where a sufficient number of branches of other banks already exist, in taking over the officers of other banks, in offering higher rates for deposits than a reasonable maximum, and in "cutting rates" below a living basis. It is almost impossible to make any cast-iron rules that will distinguish between what constitutes legitimate competition and competition which the banks themselves should discountenance. This Association has very wisely disclaimed all right of interference in dissensions of this kind. It is well known, however, that where there is business for one bank there is

not always a satisfactory opening for two or more, and your Council is satisfied that there must yet remain in this vast Dominion many districts where a branch bank could profitably be established without undue competition being entered into. The propriety of one bank alienating one or more of the staff of another bank is a question which must be left to the good sense of the banks themselves. But your Council ventures to suggest that there is a distinct difference between one bank approaching an official of another bank with a view to his engagement, because of his merits and experience on the one hand, and on the other because of his personal influence in a district, to the upbuilding of which influence the bank with which he has been serving has directly contributed, not always with adequate profit.

#### BANK MONEY ORDERS

The Committee appointed to draw up a form of Bank Money Order to facilitate the ready transfer of small sums of money has completed its labours, and your Council is gratified to be able to state that, while every member of this Association has not as yet undertaken the issue of these orders, every bank in Canada has agreed to negotiate them at the schedule of rates suggested and adopted. These orders cannot but be of great use to the community in general and should become decidedly popular.

#### THE RENEWAL OF THE BANK CHARTERS

Your Council begs to remind the Association of the near approach of the decennial revision of the Bank Act. The present Act has worked satisfactorily, and has formed the basis for many proposals for a revision of the banking system of the United States. We would recommend early action being taken in framing such minor amendments as may be thought desirable. Your Council is of opinion that in obtaining a renewal of the charters an effort should be made to secure an extension to a much longer period than heretofore. It is not in the interests of the business community that a revision of the Bank Act should be so frequently a matter for public discussion and agitation.

#### REDUCTION OF POSTAGE RATES

Your Council is gratified to note the proposed reduction on 25th December next of the postage rate between Canada and Great Britain and the other colonies to two cents. The reduction will not only strengthen social ties, but will assist in building up closer trade relations within the empire.

The prominent part taken by Canada's representative in bringing about this happy result of the recent postal conference is a matter for congratulation.

It is only reasonable that the rate of domestic postage should be reduced simultaneously to the same figure. The experience of our own and other countries has shown that a great increase in the use of postal facilities follows upon a reduction in rates and that the revenue of the post office suffers but temporarily therefrom. Under present conditions letters posted in the United States upon which only two cents postage has been paid are carried throughout the length and breadth of the Dominion, but as between ourselves and between Canada and the United States a three cent rate is enacted.

#### REDUCED RAILWAY RATES

Pursuant to a suggestion made at the last annual meeting that the railways be desired to extend commercial travellers' rates to bank officers,

your Council approached the officers of the leading companies upon the question, but we regret to inform the Association that our efforts to obtain any concessions were unsuccessful.

#### BURGLARY AND FORGERY

Your Council did not think it necessary to take any action in regard to the resolution regarding Burglary and Forgery as printed on page 157, No. 2, Vol. V, of the *JOURNAL*.

#### INSURANCE OF MONEY PARCELS

Your Council decided not to press for an immediate answer from the Government to the request that it guarantee the safe delivery of money parcels transmitted by registered mail, in view of certain objections on the part of the Postmaster General, who still has the question under advisement.

The Reports of the Branch Associations, of the affiliated Board of Trade Sections, of the Prize Essay Committee, and of the Editing Committee, are appended hereto.

The membership of the Association has been added to during the year by the admission of the following banks :

The Western Bank of Canada,  
La Banque de St. Jean.

The membership of Associates at the close of the financial year numbered 1,158, as compared with 1,010 on the 30th June, 1897.

The only chartered banks which are not members of the Association are :

The Bank of Yarmouth,  
The Exchange Bank of Yarmouth,  
The Commercial Bank of Windsor.  
St. Stephens Bank,  
Summerside Bank,  
Merchants Bank P.E.I.

The whole respectfully submitted.

D. R. WILKIE, President

MR. WALKER, in moving that the report of the Executive Council be adopted, expressed the hope that the next Council of the Association would vigorously prosecute the establishment of the sub-sections proposed, even in smaller places than those mentioned. The example set by Winnipeg was an excellent one.

He also urged the appointment of a committee to take up the question of the Bank Act, in order that at the next meeting of the Association any changes desirable, if there are any, might be exhaustively discussed and action arranged for.

The motion was seconded by Mr. PRENDERGAST, and, on a vote having been taken, the report of the Executive Council was declared adopted as read.

The Secretary read the following

REPORT OF THE WINNIPEG SUB-SECTION:

*To the President and Members of the Canadian Bankers' Association:*

GENTLEMEN,—We beg to present the annual report of the Winnipeg Sub-section of your Association.

The annual meeting was held in Winnipeg on June the 7th, 1898, when Mr. F. H. Mathewson, Manager of the Canadian Bank of Commerce, was re-elected Chairman for the ensuing year, and Mr. F. L. Patton, Manager of the Dominion Bank, was re-elected Secretary.

In pursuance of the agreement arrived at by the Canadian Bankers' Association regarding a set of standard rules respecting endorsements this Sub-section has adopted and carried out in the Winnipeg Clearing House the "Rules and Conventions" as compiled by the Canadian Bankers' Association, and in thus doing away with the dangerous system of restrictive endorsements formerly prevailing, we are of the opinion that banking interests in general are more closely safeguarded.

Recently this Sub-section endeavored to bring about an agreement whereby uniform rates of exchange would be charged by all banks doing business here on cheques, demand and sight drafts, payable in the East. A special committee compiled a schedule of rates which was quite acceptable to ten out of the eleven banks here, but we regret to say that it could not be put into operation owing to the action taken by one bank, who refused to join in what was otherwise a unanimous decision.

The members of the Sub-section desire to represent to the Canadian Bankers' Association the necessity of again urging upon the Dominion Government the desirability of an arrangement being made whereby the banks doing business here could transfer legal tenders backwards and forwards between Montreal or Toronto and Winnipeg (by wire).

You are all conversant with the benefits to be derived from such an arrangement, and the fact that a recent bank robbery has taken place in our midst emphasizes the pressing necessity for an arrangement of this nature, whereby the local banks will not be forced into the position of holding unnecessarily large legal tender reserves at Winnipeg, and the hope is expressed that the Executive Council will continue to press this matter with the Department of Finance.

This Sub-section has this year continued the usual practice inaugurated when the Sub-section was organized of obtaining crop reports from reliable correspondents in representative districts throughout Manitoba and the North-West Territories, with satisfactory results. These reports were distributed to members on the 15th of August, and being the first detailed information obtainable, proved valuable in enabling bankers to form conclusions as to the quality and approximate quantity of grain likely to be exported, while later on in the season, when threshing is further advanced, a final report will be collected.

The members of the Winnipeg Sub-section extend to the Association a cordial invitation to hold the next annual meeting at Winnipeg, and they desire to assure you that they will do all in their power to make the occasion enjoyable to visiting members.

Yours truly,

F. H. MATHEWSON, Chairman

F. L. PATTON, Secretary

WINNIPEG, 19th Oct., 1898

THE PRESIDENT— . . . The ideas of the Winnipeg sub-section are always worth listening to ; and their invitation to us to hold our next annual meeting in Winnipeg is, I think, worthy of consideration. There is a disposition, I think, at the Coast to ask the Association to meet there, but Winnipeg's invitation being the first in the field I think it is well worthy of the consideration of our successors in office.

MR. FARWELL, seconded by MR. PRENDERGAST, moved that the report of the Winnipeg sub-section be received and embodied in the proceedings of this annual meeting.—Carried.

#### MEMBERS' FEES

With reference to the motion passed at the annual meeting last year increasing the fees to be paid by banks, the PRESIDENT reported that in consequence of representations made by some banks who felt that their fees were unduly large, the Executive Council decided to commute the fees in these cases, and asked for confirmation of the Council's action.

MR. HAGUE then moved, seconded by MR. WALKER :

That the action of the Executive Council in commuting the membership fees of certain banks having a capital between \$500,000 and \$1,000,000 is hereby approved, and that portion of the resolution adopted at the sixth annual meeting, whereby the membership fee of banks having a capital stock between \$500,000 and \$1,000,000 was increased from \$60 to \$120, be and is hereby amended and the fee of \$60 for such institutions restored ; the fee of banks with a capital between \$1,000,000 and \$2,000,000 being retained at the figure mentioned in the said resolution, namely, \$120.

In the discussion which ensued MR. WILKIE and MR. HAGUE strongly advocated the desirability of having the largest possible representation of banks, large and small, in the Association. In times past the smaller banks had rendered invaluable assistance in promoting important reforms in the banking laws, and anything calculated to hinder their affiliation by the Association ought to be remedied.

The motion, having been put to a vote, was declared carried unanimously.

MR. SLOANE moved, seconded by MR. STRATHY :

That the membership fee of banks having a capital of less than \$500,000 be \$40. Carried.

## RESOLUTION RESPECTING MR. CHIPMAN

Moved by MR. HAGUE, seconded by MR. COULSON, that :

Whereas Mr. W. W. L. Chipman, Secretary of the Association since its organization, has resigned from the position and accepted a position of importance in a leading banking institution,

It is resolved that the Association tender Mr. Chipman its thanks for his untiring efforts in its behalf and its best wishes for his success in his new sphere of action.

The PRESIDENT in putting the motion said, "I can only add to what the resolution itself says, that it was a matter of very great disappointment to me, and some surprise also, when I had no sooner assumed the duties of the position of President, and had read Mr. Thomas' address in which he spoke very highly of Mr. Chipman's services, to find that Mr. Chipman's ability was not at my service, that I lost him before I had been well in the saddle. At the same time I am happy to say that Mr. Chipman has got a worthy successor. It is, however, a grave obstacle in the way of a thoroughly satisfactory performance of the duties of the office that the residence of the Secretary is at times a thousand miles away from the President.

The motion was carried unanimously.

MR. FARWELL moved, seconded by MR. PEASE :

That the action of the Council of this Association in selecting Mr. Arthur Weir as Secretary of the Canadian Bankers' Association, in place of Mr. Chipman, be and is hereby confirmed and ratified, and that Mr. Weir's engagement be continued under the same conditions as governed in the case of the retired Secretary. Carried.

## FINANCIAL STATEMENT

The Secretary presented the Financial Statement for the year ending June 30th, 1898 :

## GENERAL FINANCIAL STATEMENT

Charges .....	\$4,137 28	Balance, 30th June, 1897. \$	332 11
Office furniture .....	224 70	Membership fees .....	3,770 00
Journal expenditure.....	947 67	Associate fees .....	1,158 00
Bank interest .....	9 49	Cash—	
		Due bank .....	\$80 88
		Less on hand ...	21 85
			59 03
	<u>\$5,319 14</u>		<u>\$5,319 14</u>

GROSS REVENUE ACCOUNT

Charges .....	\$4,137 28	Balance, June 30, 1897 ..	\$ 332 11
Journal expenditure, after deducting revenue from advertisements, etc....	947 67	Revenue—	
Bank interest.....	9 49	Members .....	3,770 00
Balance forward .....	165 67	Associates .....	1,158 00
	<u>\$5,260 11</u>		<u>\$5,260 11</u>

ARTHUR WEIR, Secretary-Treasurer

THE PRESIDENT—I notice by the Statement that we have been going behind a little, owing, I think, to items being charged to the Association that might fairly have been a charge upon the individual institutions. I do not think the year 1898-9 will show any deficiency.

MR. COOKE moved, seconded by MR. HOLMESTED:

That the Financial Statement be received and referred to the Auditors. Carried.

BANK MONEY ORDERS

The Secretary stated that he had been asked to bring to the notice of the meeting an instance where a gentleman applied to a bank for a money order for \$7, and was given a bank draft for \$7 at the cost of a money order, the object being to retain the whole of the profit for the issuing bank.

MR. FARWELL—It is optional with any bank whether it sells a money order or its own draft. For my part I should sell my own draft every time. I have objected to those money orders and I did not order any for a long time, but, in order to be in with the rest of the banks, I finally got a few. I do not care for the present money order system; I think the bank issuing should have all the commission.

MR. COULSON—It was never contemplated that they should be issued by a bank on a point where it has a branch; the intention was to cover points where the bank had no branch. In the bank I represent we have given instructions that they should not be sent out where we have branches of our own; where that is done it must be a mistake, I think, on the part of the bank that issues the money order.

SCRUTINEERS

Messrs. Aird and Jennings were appointed scrutineers to receive the ballots for the election of officers.

On motion the meeting adjourned, to meet at 4 o'clock p.m.

## SECOND SESSION

Wednesday, October 26th, 4 o'clock, p.m.

THE PRESIDENT called the meeting to order.

## ESSAY COMPETITION

THE SECRETARY read the report of the committee appointed to examine the essays. Their award was as follows:

## SENIOR COMPETITION

*First Prize.*—R. W. Crompton, Canadian Bank of Commerce.

*Second Prize.*—F. Macdougall, Merchants Bank of Halifax.

## JUNIOR COMPETITION

*First Prize.*—C. M. Wrenshall, Merchants Bank of Canada.

*Second Prize.*—A. Gordon Tait, Merchants Bank of Halifax.

MR. FARWELL read a letter from Mr. Stewart Patterson, directing attention to the fact that the terms of the essay competitions, as hitherto framed, rendered some Associates ineligible to compete in either senior or junior competition, their position falling between the two.

The letter was referred to next year's committee on essays.

## PRESIDENT'S ADDRESS

THE PRESIDENT in proceeding to deliver his address remarked: "This is a privilege I am going to avail myself of now, a privilege which I understand your presidents have, and I understand it is the only privilege they have, that of putting a few of their ideas on paper and reading them to the Association; and in that connection I wish to say that the Association is not in any way responsible for the correctness, or ambiguity if there is any, nor for the sentiments. This responsibility rests entirely upon the President."

(The address will be found on another page of this issue of the JOURNAL).

The address was received with applause, and at the conclusion of the reading MR. TORRANCE moved, seconded by MR. STANGER:

That the thanks of the Association be tendered to Mr. Wilkie for his very able address, and that the address be printed in the report of this annual meeting.

MR. HAGUE—I very heartily concur in the motion. I want to express my opinion about this address: I don't know whether it is not the very best paper we have had, but at any rate it is an uncommonly good one and well deserves the vote of thanks.

MR. HAGUE, as Honorary President, here put the motion, and, on a vote having been taken, declared it carried unanimously; and tendered the thanks of the meeting to the President in pursuance thereof.

THE PRESIDENT then announced that invitations had been sent him from the Albany Club, the Toronto Club, the Toronto Golf Club, and the Victoria Club, inviting the members of the Canadian Bankers' Association to the several clubs and extending the privileges of the clubs to them.

Referring to complaints which had been made with regard to the delay on the part of the Secretary in acknowledging subscriptions, he explained that the delay was owing to his (Mr. Wilkie's) absence in the North-West, and that his signature on the first proofs of associate certificates was imperfect, and was not made perfect until very nearly the time of his return to Toronto.

#### BANKERS' EXAMINATIONS

MR. G. W. HODGETTS read a paper advocating the establishment of examinations on banking subjects, introducing his essay in the following words: "I am sure you are all agreed with me when I say that the JOURNAL which is put into our hands every year is becoming of increasing value and interest to the members of this Association. I read an article in the current number which suggested this paper to me a few days ago; but you will see, as I read it, that our President in his very able address has already covered the same ground to a certain extent. I think that this subject is a matter of vital importance, not only to the Associates themselves, but also to the Association, and therefore I will present it, in as short form as possible."

(Mr. Hodgetts' paper will be published in the next issue of the JOURNAL).

MR. WILKIE, the President—I think that this paper hardly requires discussion; it is true from beginning to end; but I am sure we would all like to hear the views of any Associates present upon it, and suggestions as to how the Associates can be induced to spend more time in the study of banking.

We have done everything we could, as Presidents and General Managers, to encourage Associates to become students of banking. What more ought we to do? If any Associate can give us a good suggestion I am sure that every bank represented will be glad to follow it out; but it is an unfortunate thing, after all the trouble we have taken and the money that has been spent, that so many should absolutely neglect the study of the theory and of the practice of banking. I can assure you that there is only one way to get to the top; you have got to work for it and read for it; and you have got to study for it. If you don't do that you will never rise beyond the position of ordinary clerks.

MR. FARWELL moved that the thanks of the Association be tendered Mr. Hodgetts for his very excellent paper, and that it be published in the JOURNAL. The motion was seconded by MR. BURN and carried.

MR. WALKER—I think it would be a very good thing indeed, and one that we ought to look forward to, that we should some day have a special examination on the lines of the examination in Scotland, a more practical examination, perhaps, before men take such advanced positions as the regular accountants. But, what those who have to deal with applicants for positions in banks realize at the present time, is that the average applicant, after passing through a high school examination in Canada, cannot pass an examination on the "three R's," that he is not as well educated as a boy out of a Dame school in Scotland, or a Parish school in England. The trouble in Canada is not the unwillingness of the young Canadian to study, but he is turned out of our High schools as badly equipped for business life as he can be. . . . Likely, capable fellows leave school unable to spell, and many a boy loses his opportunity of getting into a bank because he has not the first chance, under our educational system, of doing well in life. As a man born in this province, and very proud of what our educational system purports to be, but very sorry it does not come up to its professions, I cannot help but say that that is our experience, and we find it hard to get applicants for admission into the bank who spell well enough to be bank clerks at all.

#### MINOR PROFITS

MR. G. DEC. O'GRADY then read a paper on minor profits in banking, which evoked a lengthy and interesting discussion.

On motion of MR. STRATHY, seconded by MR. COULSON, a vote of thanks to Mr. O'Grady was unanimously passed.

THE PRESIDENT introduced the Hon. R. R. Dobell, M.P., calling upon him to address the meeting.

MR. DOBELL in the course of his remarks said :

I have heard it spoken of in almost every country that I have been in, and I myself feel, that the banking law of Canada to-day stands first in the list of banking laws of the countries of the world. (Hear, hear).

I think it is not very surprising, when I find a body of men, such as I see before me, anxiously devoting their time and attention to financial matters, and stimulating their young men to take up this question of banking as a scientific study, and to arrive at some conclusions as to the best means of carrying on the banking interests of this great Dominion.

Perhaps as a trader I might offer advice to the bankers—but I do it with very great diffidence, because I can say that I have always received the greatest consideration at the hands of banks—that if there is one danger the banks might guard against, I would say it is not holding the reins steady, but one time driving a little loose, and then pulling up a little hard. I think of all things that is the most injurious to all interests, and that a banker should never encourage it unless he is prepared to carry out his policy with the individual even to his own loss. As long as the bankers guide carefully, the destinies of this country are safe in their hands.

Mr. Dobell's remarks were received with applause, and the President expressed to him the acknowledgments of the meeting.

On motion the meeting adjourned, to meet again at 8.30 p.m.

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#### EVENING SESSION

WEDNESDAY, Oct. 26th, 8.30 p.m.

The PRESIDENT called the meeting to order.

MR. WEIR then read a paper on Canadian Trade under French Rule, touching as well upon the inflation of prices resulting from the depreciation of card money, and the ginseng speculation.

MR. HODGETTS moved a vote of thanks to Mr. Weir, which was seconded by MR. SLOANE, and carried.

## THE JOURNAL

MR. PLUMMER read the report of the Editing Committee of the JOURNAL as follows:

*To the Members and Associates :*

The publication of the Sixth Volume of the JOURNAL involved a somewhat larger gross expenditure than that for the preceding volume, the edition of the former being larger (1,500) and the size 507 pages, against 480 in Volume V. Owing to the larger revenue from subscriptions and advertisements, however, the net cost—\$947.67—shows a slight reduction from the figures of the previous year. Against this item must be set whatever portion of the revenue from Associate fees—\$1,158—is to be considered as attributable to the JOURNAL.

Your Committee have devoted special attention to the development of the department for questions on banking law and practice, and the result of their efforts in this direction affords them satisfaction. They are still of opinion that in this department and that for legal decisions the JOURNAL can be made of great practical value; its usefulness as a work of reference for banking law must naturally increase with each added volume.

Your Committee see no reason to anticipate a markedly less favourable financial result for the JOURNAL in the ensuing year; nevertheless they would ask that a net expenditure of \$300 in excess of the revenue from fees of associates should again be sanctioned, on the possibility of an enlargement of the JOURNAL being necessary.

A resolution adopting the report and authorizing the expenditure of the amount applied for, was carried unanimously.

It was moved by MR. HAGUE, seconded by MR. COOKE,

That the thanks of the Association be and are hereby tendered to the Editing Committee and the sub-editor of the JOURNAL of the Canadian Bankers' Association, for the able manner in which they have conducted the JOURNAL during the past year. Carried.

In seconding the resolution the PRESIDENT said that he wished to personally thank the Editing Committee for their work on the JOURNAL during the past year. There had been no waste matter in it; everything had been thorough.

The motion was then put and carried.

MR. PLUMMER expressed his appreciation of the vote of thanks. He admitted feeling that the JOURNAL was a credit to the Association, but for that the Committee did not claim much credit. The matter it contained had been interesting because they were fortunate enough to find a sufficient number of people who could write interesting articles and were willing to contribute them to the JOURNAL; while in the department in which many of the Associates were most interested, because of its practical value, namely the questions on practical points and the legal columns, they had the invaluable assistance of Mr. Lash.

MR. HAY—I do not need to speak on behalf of the JOURNAL, it speaks for itself, and speaks “volumes,” too. What Mr. Plummer has said is very true: but for the very earnest support we received from all sides, we certainly could not have placed the JOURNAL where it is to-day, and I think Mr. Plummer is entitled to the credit which you have given him.

The cost of the JOURNAL is of course a serious matter, but I think that the benefits derived from it warrant the cost. The details of the cost will appear in the Editing Committee's report, and I think when you come to look closely at it, it will appear that Mr. Plummer's bill is really not an alarming bill, like some plumbers' bills. Gentlemen, I thank you very much.

The sub-editor also acknowledged the vote.

#### CROSSED CHEQUES

Mr. Lash read a paper on “Crossed Cheques,” which is published elsewhere in this number of the JOURNAL.

THE PRESIDENT—If there are any particular points in Mr. Lash's paper that are not perfectly understood it will be proper, I presume, to ask Mr. Lash any questions in reference thereto.

MR. LASH—I shall be very glad to have any questions asked, and will endeavor to answer them.

MR. STANGER—Would the words “and Co.,” which are the usual words used in England, have the effect of a general crossing.

MR. LASH—No. The words “and Co.” are not authorized here at all.

MR. STANGER—Would not the parallel lines with “and Co.” be effective?

MR. LASH—If the crossing had the parallel lines I would not be prepared to say that the words “and Co.” between them would make it not a crossed cheque, but it would not add any force to the parallel lines. We have not had any decision on that point, and I can only say I think the court would regard it as surplusage.

MR. GAMBLE—As I understand it, if a cheque payable to order is not crossed the bank paying it is responsible for the endorsement, and therefore it is immaterial to the drawer of the cheque whether it is crossed or not; he is safe as far as the endorsement is concerned. What advantage is it to him to have it crossed?

MR. LASH—He is safe to the extent that the bank cannot charge against him the amount of the cheque: but in order to

object to the charge which the bank has made against him when it has paid the cheque, the question of forgery, or of authority, if endorsement be by procuration, at once comes up; and if the bank does not at once assent to the claim of the drawer, that the cheque was paid on a forged or unauthorized endorsement, there is a law suit on his hands which he has to fight out with the bank before he can establish that they have not any rights. But if he crosses his cheque and it gets into the hands of the payee—which is by all odds the most frequent event—then the payment by the bank discharges the drawer from the obligation which he was under and in respect to which he gave the payee the cheque; it discharges the bank, because it makes no difference whether there was a forgery or not on the cheque; and the result is that the bank and its customer are out of the transaction, both of them discharged, and no trouble or law suit between them. The payee, the man who had possession of the cheque and who lost it or had it stolen from him, the only one of the three whom you could blame for doing something or for not doing something, is the one who has to stand the consequences of the loss. If the payee, however, wants to protect himself against the consequences of having that cheque stolen from him, or of losing it and having it found by another and his name forged and so on, he can put on the words "not negotiable;" a cheque bearing a crossing with the words "not negotiable" on it may be safely left anywhere so far as the ultimate right to it is concerned. In almost every case the payee who receives a cheque wants to put it in his own bank, that is, he does not negotiate it and circulate it, but deposits it in his bank for collection or to his credit; and if it is crossed, and he adds "not negotiable," he cannot suffer loss, no one can get a title to the cheque unless he (the payee) gives it to him; and anyone who finds that cheque could not make use of it; no one in his senses would take a cheque from a man that he did not know all about if it was marked "not negotiable."

MR. GAMBLE—But the drawer of the cheque might lose if the cheque does not get into the hands of the payee, so that crossing it is rather a disadvantage as far as he is concerned.

MR. LASH—In all matters of commerce it is the great bulk of transactions that should govern; what is best for the bulk of the transactions you are engaged in. If your chances of loss are reduced to a minimum, as they are in the one case in which there is some risk, which is the case that you put, and if they are reduced to nothing in the rest of your transactions, you are bound to come out ahead.

In the case of a cheque not reaching the payee's hands, after having been crossed by the drawer, the chances of anyone

being able to deal with it to the detriment of the drawer are reduced to a minimum. No individual can get payment of it, because the bank won't pay to an individual, and therefore the person who finds the cheque and forges the name on it must find somebody to take it from him who has a bank account, and the chances are against his finding such a man. If he does find such a man, of course he may succeed in getting it done; but men who have bank accounts, and men from whom the bank will take it for collection, are not the men who would help a forger or would take a cheque and give value for it, and make themselves responsible for the endorsement, if they did not know that the transaction was perfectly regular.

MR. GAMBLE—Can the drawer make the cheque “not negotiable?”

MR. LASH—Yes; but I can see objections to that, because he does not know what the man to whom he sends the cheque may want to do with it.

MR. STANGER—The addition of the words “not negotiable” would be an extra precaution in remittances from a bank to one of its customers by post.

MR. LASH—A great precaution; in fact, I do not know anything that would be safer than using the words “not negotiable” in connection with a draft.

MR. PLUMMER—I think we would understand the situation better if we remember the difference between the English law and ours as to uncrossed cheques. Because of their Section 60, when a man draws an uncrossed cheque payable to order he has not the protection Mr. Gamble referred to: if an uncrossed cheque payable to order is sent by mail in England, and gets into the hands of someone who forges the endorsement, the drawer's responsibility as to that cheque is the same as his responsibility here for a crossed cheque lost between him and the payee. In England, therefore, he is no worse off in sending a crossed cheque than an uncrossed one. Here there is the difference Mr. Gamble mentions, but which Mr. Lash has, I think, conclusively shown not to be of any moment.

MR. LASH—If the great bulk of the cheques which a man issues does get into the hands of the payee, and I think that it does—it is difficult to name a percentage. I have before now suggested 99 out of 100, but it is more likely 999 out of 1,000. In the thirty years I have been in business I cannot recall a single case in which any cheque we have sent, and which did not get into the hands of the payee, gave rise to any trouble. If that be the case, and if it be to the benefit of the drawer of a cheque that it should be crossed

on coming into the hands of the payee, then it stands to reason that such is the rule he should follow, and that he should not decline to follow that rule merely because there is a single exception which a man may not meet in twenty years, under which he may possibly suffer some inconvenience or loss. It is a matter not of law that I am now discussing, but a matter of business; and I would like to hear the opinions of those present as to whether I am right in my belief that the great bulk of the cheques issued by drawers do get into the hands of the payees, that the exceptions are few and far between, and that as to those exceptions, the cases in which trouble arises are also few and far between. These are questions of fact.

Several Associates assented to Mr. Lash's propositions on the question of the percentage of cheques which reaches the payee's hands.

THE PRESIDENT—The law in Canada as to crossed cheques is exactly the same as in England, with the one exception that in this country we can uncross a cheque, and in England that cannot be done.

MR. LASH—Yes.

MR. PLUMMER—They do it in England as a matter of practice.

MR. LASH—I was speaking of it as a matter of law.

MR. PLUMMER—The London banks pay cheques that are opened or un-crossed by the drawer or the payee.

THE PRESIDENT—The law then is the same in Canada as exists in England; that is something that should be kept in mind when we see a test case in England; with the one exception I referred to, we can apply it to ourselves here.

MR. PLUMMER—I would like to ask Mr. Lash, before we close the discussion, whether it is quite clear that, under the usual practice we have in Canada of not collecting cheques for our customers, but receiving the cheques for the credit of the customer's account, that is to say, negotiating them and becoming the holders, we are protected under the section he quoted?

MR. LASH—This is entirely a question of fact, not a question of law, except so far as the law would apply to the facts when they are ascertained. The mere fact that a cheque is put to the credit of a customer's account does not of itself make the transaction not one of collection; it depends entirely upon the understanding and agreement between the bank and its customer. Very frequently, as a matter of convenience in book-keeping, the whole thing goes into one account; but because it goes into one account that does not of itself show that it is one or other of the two transactions; the real fact must be found.

Now, to take a clear case, so that you will better understand the principle, suppose there was a written instrument between the bank and its customer that all cheques received should, unless to the contrary expressly arranged and agreed on, be received for collection and for collection only, and that the fact that the cheque was entered to the credit of the customer's account was merely for convenience, that everything might go in one account instead of having a collection account open for the same customer; then it would be clear beyond question that it was a collection transaction, and not a cashing or purchase of the cheque. Follow down from a case of clear evidence and you may get to a case in which the question of fact is doubtful, but after all it is a question of fact.

All I can say is that the mere fact of entering the cheque to the customer's credit, according to the system that is in vogue here, does not itself do much more, at all events, than raise a *prima facie* case; the real position, the understanding or custom between the banker and the individual customer, or one of a class of customers, would necessarily govern on that question.

Of course, if the cheque was, in fact, not received for collection, then the particular section of the statute which gives protection when received for collection and not otherwise, would not apply.

MR. PLUMMER—In other words we should be careful to have an understanding with our customers that would cover that point.

MR. LASH—Yes. That could be easily done.

MR. PRENDERGAST moved, seconded by MR. BIENVENU, that a vote of thanks be passed to MR. LASH for his very able paper on the question of crossed cheques; and that his permission be asked for its publication in the JOURNAL.

MR. PRENDERGAST—It affords me the greatest pleasure to offer this motion, because Mr. Lash's paper was most exhaustive, and his readiness to answer questions has made the subject still clearer to everybody present.

THE PRESIDENT put the motion, and, on a vote having been taken, declared it carried unanimously.

THE PRESIDENT tendered the vote of thanks to Mr. Lash, who replied thereto, and consented to his paper being placed at the disposal of the Editing Committee.

MR. PLUMMER moved, seconded by MR. COULSON:

That in the opinion of the Canadian Bankers' Associa-

tion the general use of crossed cheques in Canada would be of benefit to the commercial community, and that a committee consisting of representatives of banks to be named by the incoming Council, with power to add to their number, do take such action as they may think desirable with the view of promoting the use of crossed cheques by the customers of banks.

THE PRESIDENT put the motion, and on a vote having been taken, declared it carried.

The meeting adjourned to Thursday the 27th inst., at 9.30 a.m.

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## SECOND DAY

Thursday, 27th Oct., 1898, 9.30 a.m.

THE PRESIDENT, in the chair, called the meeting to order.

MR. PLUMMER—There seems to be some difficulty in connection with the new system of money orders, and I think it would be well for us to air it a little at this meeting. Several of the banks have started issuing these money orders indiscriminately to their customers, no matter at what point they may be paid; that is to say, branches of our own bank give them to their customers to remit them to Montreal and Toronto, where they might issue the ordinary drafts, and so avoid any question of commission. When these money orders are sent, say to Montreal, they may be deposited in another bank, and that bank sends those orders into our office, collecting half the commission. Some question has been raised by one or two associates who are not now present as to the propriety of this course; and to me it does not seem quite fair, when a bank does not redeem the money order but takes it as a local item merely on deposit, that it should receive a commission. On the other hand I find that some banks have issued instructions to their branches not to issue these orders except when they are needed for remittance to a point where they themselves have no branch. Using them in that way is not carrying out what I conceive to have been the reason for establishing the money order system, that is, to compete with the express companies by furnishing our customers with money orders quickly and promptly, without the delay incidental to the filing of requisitions and getting the drafts regularly signed. They are not issued in such a case to save the customer's time and trouble, but only to save the banks a commission, or to enable them to draw on points which they could not otherwise reach.

If every bank that cashes a money order (whether it cashes it outside of Montreal or not) is to get a commission on it, I suppose the banks generally will adopt the plan of not issuing money orders except to reach points at which they would not be able to make their drafts payable, and that, it would seem to me, would be a pity.

I would like to know what is the feeling of the country managers, who are very largely represented here. My own impression is we should abolish the commission paid the banks and each of us pay the money orders without charge. I think in the end we would each be as well off as under the present system of dividing the commissions.

MR. FARWELL—I have felt all along it was a mistake to have this division of the commission; I think it will result in this, that the orders will not become popular, they will not be sent broadcast as the orders of the Express Companies are sent, and people will not see them except in cases where a bank can save a little commission by having them paid at another point. But if the commission went wholly to the issuing bank—it is not a large commission, hardly enough to divide with anybody—they would be issued very often, and issued in the place of drafts.

I think if the division of commission were abolished the matter would equalize itself, and that they would make just as much out of the money orders without division of commission as they do now with it. I certainly should be very glad to see the division of commission abolished.

THE PRESIDENT—The popularity of the money orders does not depend upon how the commission is divided.

MR. FARWELL—I do not know that. If they are seen floating around day by day, they must become popular, while, if they are seen but very seldom, they are curiosities.

THE PRESIDENT—They will only be seen if they are popular. I would be very much afraid that the larger banks would object to paying money orders without receiving a share of the commission. I can quite understand that a bank with one or two agencies would be quite willing to enter into an arrangement by which every other bank would pay its money orders without charge. Our own bank is not particularly interested in it, but I should think that a bank like the Bank of Montreal, the Bank of Commerce, or the Merchants Bank, would suffer by it.

MR. PLUMMER—We would not suffer as we do under the present system, which is to issue orders freely to all customers who want small drafts, without taking into consideration whether we have a branch at the point at which they are to be paid or not. If the system of division of commission be not

modified, we shall have to do what other banks are doing, restrict their use to points where we have no branches. However, I quite feel this is not a matter to be settled at this meeting. It is a matter, if we take any action at all, to be referred to the incoming Council, to be fully threshed out there. I would not like to speak for my own bank on the spur of the moment; all I can say is I myself would strongly favour, as far as we are concerned, the abolition of the commission. I think, taking it all round, we issue about as many drafts as we pay; and we would get about as much commission by retaining the whole commission on our own issues and paying the orders of other banks without charge, as we do now out of the divided commission.

MR. CHARLES—I was sorry the Bankers' Association divided the commission, taking what I call two bites of a cherry. We should treat these bank orders as we do circulation, and pay as we pay the notes of other banks without charging a commission. We must stand together on this as against the express companies, and my impression is that these money orders will never be popular until all the banks refuse to pay express orders at par. We did not lower our commission enough to meet the competition of the express companies, because you can get express orders up to \$5 for three cents and people get into the habit of going to the express companies for these small orders, and often when they are getting two or three small orders they get larger ones at the same time, knowing that they will be paid by the banks at par.

MR. HAGUE—I believe that is the true solution of any difficulty that may have arisen in the working of this money order system, which was instituted to meet the competition of the express companies. It is an anomaly that we pay all express orders at any point without charge while we make a charge for bank drafts of precisely the same character drawn by our fellow bankers; it is unreasonable; and I am quite satisfied you will never get the system into operation and have it answer the object it was intended for, to meet the competition of the express companies, until you make a charge for cashing the drafts of express companies. The great handle that the express companies have is that they can issue drafts and scatter them broad-cast over the country, and there is no need for them to keep any money at these various places as there is with us, because the banks are as willing to take and pay express orders as if they were bank notes. I quite agree with the remarks made by Mr. Plummer and Mr. Charles that this is the proper way to work the system.

THE PRESIDENT—When we proposed to make a charge on

express orders we were met by the objection that certain institutions would continue to pay these express orders no matter what arrangement was made by the other institutions.

MR. PLUMMER—Do you refer to the banks that have express companies' accounts ?

THE PRESIDENT—I refer to the banks that have the accounts of the express companies.

MR. PLUMMER—Is there any reason why they should not continue, while the rest of us drop out.

THE PRESIDENT—Yes. If you have a large dry goods account, we will say, and another bank, a branch of the bank which has an account with the express company, has a share of that account or has a rival account, and your customer is receiving express orders in large quantities from his different customers, and is charged by his banker upon them, and his rival in the trade, or he himself, in his account with the other bank, is able to have these orders cashed for nothing, your customer in your bank is constantly at a disadvantage as compared with the customer of the other bank and as compared with his own treatment by the express company's bank. It is not a question for the bank to consider in its dealings with the express companies, but it is a question between the bank and its own customer, in placing that customer at a disadvantage. The first thing your bank will know, with the competition going on to-day, your customer is out of the office and is issuing cheques on the other bank ; and you have lost a good account.

MR. YOUNG—That surely could be arranged to be met in a matter of exchange between the banks ; the customer of the bank where the account of the express company is kept would have an advantage ; but it seems to me that difficulty might be met in this way, that his orders would pass at par as between the banks, but not over the counter.

MR. PLUMMER—I think what Mr. Young says meets the point ; he is really only urging the rule we all follow, that is, if there are any items which are redeemable locally we do not make any charge, it makes no difference whether they are money orders or cheques. It would be absurd for us to say here that although a certain bank clears certain express orders through the Toronto Clearing House, we would not take them at par ; they are, for practical purposes, cheques drawn on a particular bank.

THE PRESIDENT—That is all right in Toronto ; but take the case of, say, a Merchants Bank customer at Ingersoll, and I would ask you if the Merchants Bank is going to charge them

a commission upon express orders payable at the Imperial Bank, Toronto, when all that the customer has to do is to put them in the Imperial Bank at Ingersoll free of charge. How long would the customer stand that regulation ?

MR. PLUMMER—The same rule would apply, if they are items redeemed locally free of charge, they become in effect cheques on the Bank at Ingersoll.

THE PRESIDENT—I am not supposing that the bank would be obliged to pay or to take them at par ; but that they turn to the Merchants' Bank customer and say, we will take them from you but we won't take them from another bank.

MR. CHARLES—That is what they do ; in Galt the other banks refuse to take orders from us, but they would pay them across the counter.

After some further discussion it was moved by MR. PLUMMER, seconded by MR. FARWELL :

That the incoming Council be asked to take into consideration the working of the present money order system, with a view to the abolition of the practice of allowing the paying bank a share of the commission ; and also that they be requested to take into consideration the express money order system, with a view to meet that competition more successfully than we have in the past, by the imposition of a charge or otherwise.

On a vote having been taken the PRESIDENT declared the motion carried.

#### CLEARING HOUSE RULES

MR. PLUMMER—I have one formal motion to make ; at the last meeting of the Association, on my motion, a committee was appointed to prepare a set of Clearing House rules. There was another somewhat similar committee, that on rules respecting endorsements, which took so much time that not very much progress was made with regard to the Clearing House rules. At the request of the President of the Clearing House Association in Toronto I got together copies of all the rules in force throughout Canada, and a large amount of information derived from representatives of the various Clearing Houses throughout the country. That is about the position in which the matter now stands. I would move the re-appointment of that committee. I think it would be well to add to the motion that either the representative of the Montreal or Toronto Clearing House should act as convener.

THE PRESIDENT—I think, considering the fact that the motion has originated here, we had better allow the chairman of the Toronto Clearing House to act as convener. We will add to the motion the words, “the representative of the Toronto Clearing House to be convener.”

THE PRESIDENT put the motion as follows :

That a representative of each of the clearing houses at Winnipeg, Hamilton, Toronto, Montreal, St. John, Halifax, Victoria, and Vancouver, to be selected by the respective Clearing House Associations, with the representative of the Toronto clearing house as convener, be a committee to prepare a standard set of clearing house rules for use at all points in Canada where clearing houses are or may be established, with a view to uniformity of practice, and to the extension to all Clearing House Associations of the best features found in the various existing rules; the committee to report to the Executive Council, who are empowered to take measures to bring the new rules (as approved or amended by them) into general use in Canada.

On a vote having been taken, the motion was declared carried.

#### THE NEXT ANNUAL MEETING

THE PRESIDENT—It has been suggested that our next annual meeting should be held in Montreal.

Does any associate wish to suggest having it elsewhere ?

MR. PLUMMER—There is a very cordial invitation from Winnipeg.

THE PRESIDENT—Yes; there is a great desire on the part of Winnipeg that we should go there.

MR. HAGUE—There is a general feeling, I think, that the Association can only meet in the two principal cities. It may seem rather selfish on my part to say this, but there is a convenience in having the Association meet in these two banking centres of the Dominion. However, I do not object to another place being suggested.

MR. PLUMMER—I think the associates would be in favour of Montreal the coming year; but it is a matter for the Council.

THE PRESIDENT—It is entirely a matter for the Council, but they are glad to have suggestions.

## THE EVIDENCE ACT OF P. E. I., 1897

Moved by MR. PRENDERGAST, seconded by MR. SCHOFIELD, that the Council be authorized to address a memorial to the Minister of Justice, praying for the disallowance of an Act of the Prince Edward Island Legislature, entitled, "The Evidence Act, 1897," on the ground that it interferes with Interprovincial trade, and for reasons to be set forth by the Council.

THE PRESIDENT put the motion, and on a vote having been taken, declared it carried.

## SPECIAL LEGAL TENDER NOTES

MR. PRENDERGAST—May I ask a question about keeping a register of special legal tenders. Couldn't it be suggested to the incoming Council that they should take the matter into consideration? If some banks keep a register of special legal tender notes, and other banks do not, I believe that very little advantage will be gained by those who go to the trouble of keeping a register.

THE PRESIDENT—Would you make a motion, asking the incoming Council to take the matter up, with a view to suggesting to every bank that registers should be kept?

MR. PRENDERGAST moved, seconded by MR. PLUMMER—That the incoming Council be requested to suggest to all banks that a register should be kept of special legal tender notes, with a view to mutual protection.

THE PRESIDENT put the motion, and, on a vote having been taken, declared it carried.

MR. WINSLOW—Would it be practicable to confine these bank legal tender notes to points at which they would likely be used? It seems to me that there is no need for sending notes of that class from Toronto to Winnipeg or Montreal to Toronto.

THE PRESIDENT—That is one of the objects of the notes, so that they may be mailed. Very large amounts of money are sent from time to time from Toronto or Montreal to Winnipeg, and from Winnipeg to Montreal or Toronto.

MR. WINSLOW—If the assistant Receivers-General at those points had sufficient of them on hand at all times for the use of the banks at those points, I cannot see why they should be moved about.

THE PRESIDENT—The question would arise, how would

the Receivers-General be paid. We had for discussion yesterday before the Executive Council the question as to the transmission of legal tenders from one point to another.

#### VOTE OF THANKS TO THE PROVINCIAL GOVERNMENT

MR. HAGUE moved, seconded by MR. PEASE, that the thanks of the Association are due to and are hereby tendered to the Provincial Government for the use of the rooms granted to this Association by them in the Parliament Buildings during the last few days.

THE PRESIDENT—I may say it is very unusual for the Government to grant a concession of this sort, but Mr. Hardy was kind enough to recognize the importance of this gathering, and to say he would be glad to make an exception in favour of the Association. I feel that it was most kind of him to take this view and to grant us this privilege, and I am sure the vote of thanks we pass will only convey part of our gratitude.

THE PRESIDENT put the motion, and, on a vote having been taken, declared it carried.

#### ELECTION OF OFFICERS

THE PRESIDENT—We have now come to the order of business entitled "Election of Officers," an order of business in which the Associates, as Associates, although very much interested, are not allowed by the constitution of the Association to do more than sympathize. In bidding you farewell as your president I do so with much regret. My last year has been an interesting one, at the same time it has had its worries and responsibilities, and I look forward with some degree of pleasure to my release from those worries and responsibilities. In leaving this chair, however, I wish to express to you my thanks for the attention that I have received from every member of the Council and from the Associates; and to say to the Associates that, so far as their ambitions are concerned, if they have any idea of assuming a responsibility of this kind at a future date, they have to fight their way through a number of ranks, but when they have got here, the worry, and the exertions, and the annoyances will be amply repaid by the high honour one feels he has received at the hands of his fellow bankers. I have nothing more to say beyond thanking you heartily for the great interest you have taken in this meeting and expressing the hope that future gatherings will be equally successful.

The President's remarks were received with hearty and prolonged applause.

MR. BIENVENU—As the youngest member of the Executive Council for the year, and on behalf of the French Canadian banks which we may, perhaps, more particularly represent (my confrere, Mr. Prendergast, and myself), on this honourable board of our Association, allow me to offer you our sincere thanks for the valuable work accomplished by you and by the Council during the past year under your able presidency. I am happy to say, Mr. President, how much we have often admired your justice and generosity towards us. Our relations with our English banking confreres have always been courteous and agreeable. We are nothing to be compared with your large institutions as to importance and capital. I am sure you, however, credit us with the value of the services rendered by our small banks to our commercial customers. Again, Mr. President, please accept our congratulations.

MR. PRENDERGAST—I can only say I cordially concur in the remarks of my good friend and confrere Mr. Bienvenu, but I believe he has not gone far enough in eulogizing the spirit of fair play shown and the valuable services rendered the institution in general by our President, and the lessons of moderation that his long experience has enabled him to teach us in particular.

THE PRESIDENT—Mr. Bienvenu and Mr. Prendergast, I am exceedingly obliged to you for the courteous way in which you have expressed your sentiments towards me. I must plead not guilty to some of the charges you have made, but I will say I am proud to have had the opportunity of helping along what Mr. Bienvenu has been modest enough to call "the smaller institutions." The country is not made up altogether of the larger institutions, and I think without the smaller ones we would have very much less progress to boast of than we have to-day.

MR. FARWELL—I think before we proceed with the election there is another duty to perform; Mr. Bienvenu only tendered the thanks of the French-Canadian banks, and I think before allowing the President to retire, even for a few minutes, which is all I anticipate it will be, that we should pass a vote of thanks to him for the able manner in which he has administered the affairs of the Association during the past year. I am sure that while the honour has been very great, the labour has been very heavy indeed. The duties of the office might perhaps be made less laborious than he has seen fit to make them, by getting along in an easier manner; but I am sure our President has given a great deal of time to it and is entitled to our best thanks, and therefore I have much pleasure in moving a vote of thanks to him.

MR. SCHOFIELD—I second the motion with very much pleasure.

THE PRESIDENT retired from the chair.

MR. HAGUE put the motion, and said—I have very much pleasure in putting the motion, and I think we ought to give a standing vote to show our appreciation of the manner in which the duties have been discharged.

The members present assented by a standing unanimous vote, and heartily applauded the passing of the motion.

MR. HAGUE tendered the vote of thanks to Mr. Wilkie.

MR. WILKIE in reply said—I will simply thank you for the very hearty way in which you have responded to the vote.

#### ELECTION OF OFFICERS

The members then proceeded to elect officers for the ensuing year, with the following result :

##### HONORARY PRESIDENTS

Lord Strathcona and Mount Royal, President Bank of Montreal  
 George Hague, General Manager Merchants Bank of Canada  
 F. Wolferstan Thomas, General Manager Molsons Bank

##### PRESIDENT

Thomas McDougall, General Manager Quebec Bank

##### VICE-PRESIDENTS

D. Coulson, General Manager Bank of Toronto  
 H. Stikeman, General Manager Bank of British North America  
 H. C. McLeod, Cashier Bank of Nova Scotia  
 George Burn, General Manager Bank of Ottawa

##### EXECUTIVE COUNCIL

E. S. Clouston, General Manager Bank of Montreal  
 B. E. Walker, General Manager Canadian Bank of Commerce  
 Thomas Fyshe, Joint General Manager Merchants Bank of Canada  
 D. R. Wilkie, General Manager Imperial Bank of Canada  
 G. A. Schofield, Manager Bank of New Brunswick  
 M. J. A. Prendergast, General Manager La Banque d'Hochelega  
 D. H. Duncan, Cashier Merchants Bank of Halifax

W. Farwell, General Manager Eastern Townships Bank  
 J. Turnbull, Cashier Bank of Hamilton  
 H. S. Strathy, General Manager Traders Bank of Canada  
 G. Gillespie, Superintendent of British Columbia Branches  
 Bank of British Columbia  
 R. D. Gamble, General Manager Dominion Bank  
 E. E. Webb, General Manager Union Bank of Canada  
 T. Bienvenu, General Manager Banque Jacques Cartier.

## EDITING COMMITTEE JOURNAL OF THE ASSOCIATION

J. H. Plummer (Chairman), Assistant General Manager Canadian Bank of Commerce  
 J. Henderson, Inspector Bank of Toronto  
 E. Hay, Inspector Imperial Bank of Canada

## (Corresponding Members)

F. Hague, Merchants Bank of Canada, Montreal  
 C. S. Hoare, Manager Imperial Bank of Canada, Winnipeg  
 W. Godfrey, Manager Bank of British North America, Vancouver  
 W. B. Torrance, Assistant Cashier Merchants Bank of Halifax, Halifax  
 W. E. Stavert, Manager Bank of Nova Scotia, St. Johns, Nfld.

## AUDITORS

T. Bienvenu, General Manager La Banque Jacques Cartier  
 J. G. Muir, Chief Accountant Merchants Bank of Canada

The seventh annual meeting was then declared closed.

## THE BANQUET

THE annual banquet of the Association was held in the Pavilion on Thursday evening, 27th Oct. The retiring President occupied the chair. On his right were: The Lieut.-Governor of Manitoba, Hon. David Mills, Hon. Clifford Sifton, Hon. R. R. Dobell, Hon. George A. Cox, George Hague, W. F. Maclean, M.P., the president Toronto Board of Trade, and Sir Wm. Howland; and to the left were: The Right

Rev. the Lord Bishop of Toronto, Hon. Wm. Paterson, Hon. G. W. Allan, His Worship the Mayor of Toronto, Hon. G. W. Ross, Lord Ava, Lieut.-Col. Otter, Vicar-Gen. McCann.

The guests numbered upwards of 300, and among others present were: George Burn, Chancellor Burwash, W. C. Cornwall, Buffalo, J. M. Courtney, D. Coulson, Lieut. Col. Delamere, Lieut.-Col. Denison, Hon. E. J. Davis, J. J. Foy, Q.C., M.P.P., Wm. Grindlay, R. D. Gamble, E. Hay, H. S. Howland, J. Henderson, A. H. Ireland, A. Kirkland, Z. A. Lash, Q.C., Dr. Loudon, Col. Mason, J. H. Plummer, Dr. Parkin, C.M.G., M. J. A. Prendergast, T. C. Patteson, George P. Reid, H. S. Strathy, Col. Sweny, Prof. Goldwin Smith, G. A. Schofield, Rev. Father Teefy, Provost Welch, Chancellor Wallace.

Following the toast of "The Queen," came that of "The Governor-General and the Lieut.-Governors of the Provinces," which was responded to by Hon. J. C. Patterson.

"The Dominion and Ontario Parliaments" was responded to by the Honourable Messrs. R. R. Dobell, Wm. Paterson, Clifford Sifton, G. W. Ross and N. Clarke Wallace. Mr. Paterson's remarks dealt particularly with the growth of the country's trade and commerce, and he referred to the mineral districts as cloaking stores of wealth which would make Canada one of the wealthiest countries on the globe.

Mr. Sifton in the course of his remarks said he thought he could claim some credit for the Parliament and people of Canada in that there had never been any serious disturbance of the currency. They had seen in the United States within a short time the danger of violent disruption of affairs caused by interference with the currency, and although they might think such a situation was not likely to arise in the Dominion of Canada, and might feel a great degree of confidence that they were too stable in their ideas, yet sooner or later they might find that the main ideas which predominated with a large proportion of people across the border would be agitated and brought before the people of Canada. The strength of public opinion would some time be tested as to whether or not the currency should be altered; and it was well that the question should be thoroughly understood, and that banking men and men called upon to discuss financial questions should make it clear that they were not a close corporation, and were not calling for legislative protection regarding the currency, adverse to the farmer, the business man, or the labourer. Many years ago,

one of the greatest statesmen of the United States—no less a man than Daniel Webster—gave his attention to the subject, and he expressed his views in these words—words that ought to be written above the door of every legislative body that has power to legislate in regard to the currency: “He who tampers with the currency robs labour of its bread.” (Applause.) There never was a more happy expression of a great truth; and after Webster had made use of it he proceeded to show, as it had never been demonstrated before, with the great ability which characterized that wonderful man, that whatever advantage might be derived by a section of the community from the fluctuations of the currency, to the ordinary business man and farmer nothing but loss would follow. The speaker had referred to this subject, not because it was of pressing importance just then, but because it was in times when people were prosperous that they were most willing to listen to matters of that kind. It was when prosperity was rife that people were disposed to receive sound views and appreciate them, and to-day was the time when banking men and school teachers and college professors, and all who had opportunities of disseminating information, should impress sound views on this question upon the people, so that no national disasters might arise.

“The Army, Navy and Militia,” was responded to by Lieut.-Col. Otter; “The Banking Interests of Canada,” proposed by Mr. George Hague and replied to by Mr. B. E. Walker; “Our Guests from the United States,” proposed by Dr. Parkin and responded to by Mr. W. C. Cornwell, Buffalo; “The Press” by Messrs. J. S. Willison and W. F. Maclean, M.P.; and “The Mayor and Corporation of the City of Toronto,” by His Worship the Mayor of Toronto.

7.

## ADDRESS OF THE PRESIDENT OF THE CAN- ADIAN BANKERS' ASSOCIATION

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DELIVERED AT THE SEVENTH ANNUAL MEETING OF THE ASSOCIATION

**M**Y term of the important office to which you were good enough to elect me during my absence from the last annual meeting has been marked by a revival in Canada of trade and manufactures, by an improvement in the value of agricultural products, by the development of the gold areas in the Yukon District, by increased development in the mines of the Kootenay and Lake of the Woods Districts, and by the addition of many millions to the national wealth.

It may fairly be said that the Dominion has shaken itself free from the depression that followed upon a succession of years of low prices and poor markets. No better evidence of the progress that has been made can be given than may be found in the monthly returns of chartered banks to the Government. The average public deposits in the banks for the five years, 1883-87, amounted to (approx.) \$100,000,000; for the succeeding five years, 1888-92, they amounted to \$134,771,032; and for the five years, 1893-97, to \$184,000,000.

On 30th September, 1898, the amount on deposit was no less than \$238,573,704.

Within the same period loans and discounts, excluding loans to Governments, increased from an average of \$165,500,000 for the five years ending 1887, to \$249,513,576 on 30th September, 1898. Deposits in Government and other savings banks increased from \$51,000,000 in 1887 to \$64,000,000 in 1897. Deposits in loan companies stood at \$18,251,422 in 1887, and at \$19,667,102 in 1897, in addition to which the Canadian debentures of these companies grew from \$6,900,000 in 1887 to \$11,900,000 in 1897.

The failures in Canada in 1877 amounted to \$25,523,000;

in 1887 to \$17,054,000; in 1897 to \$13,147,929. For the nine months ending 30th September, 1898, they amounted to \$6,735,476, as compared with \$11,465,322 for the corresponding period of 1897, and \$12,485,046 for that of 1896.

The bank clearings for the year 1895, which is as far back as the records take us, amounted to \$1,040,000,000; in 1897, \$1,182,000,000; 1898 (9 mos.), \$959,893,000 (exclusive of Victoria and Vancouver).

## METALLIC MINERALS—KLONDYKE

The successful exploitation of what is known as the Klondyke has added one other to the many attractions of the Dominion. It has furnished a vent for the venturesome and at the same time has created a new and profitable market for the agricultural products and the manufactures of our people. It has done much to set aside the arguments of the distorted bi-metallist by proving that the maintenance of the Gold Standard is no longer dependent upon the output of Australia, of Africa, or of the United States. The government of such a country entails very great responsibilities upon the Dominion, and it is gratifying to know that the fact is now being fully recognized by those in authority. The terra incognita of a few years back is now the Mecca of multitudes, and its development should bring with it immense wealth to the older sections of the Dominion.

The value of the total production of principal metallic minerals in Canada in 1887 is estimated at \$2,118,120; in 1897 the value amounted to \$13,996,234. It is estimated that the output of gold in the Yukon district alone will this year amount to \$8,500,000 (not including \$2,500,000—the product of 1897), and that the total output of metallic minerals during the year 1899 over the whole Dominion will amount to \$25,000,000. It is impossible to estimate the probable output even five years hence without amazement. The production of non-metallic minerals amounted in 1887 to \$9,000,000, and in 1897 to \$14,500,000.

## MINT

I am not unmindful of the objections which have been raised within this Association to the creation of a Canadian

Gold Coinage, and as long as the gold product of the Dominion was comparatively insignificant no good reason could be brought forward for the establishment of a mint, but the growth in the output of gold from \$907,601 in 1892 to a probable output of at least \$18,000,000 in 1899, with every prospect of an ever increasing annual production, has brought with it changed conditions. Are we not throwing away our opportunities and underrating our importance in sending our banks and our miners to Seattle, San Francisco, or New York, past our own doors, to exchange their gold dust for coin of a foreign realm? An immense volume of trade is being and will be lost to Canada through returning Yukon miners being forced to take their "clean up" to a foreign mint. A Canadian mint, or, to commence with, a branch of the Royal Mint at Vancouver or Victoria would bring both cities into increased prominence and would be the means of giving those cities the trade of the returned miner, and no one spends more freely, to supplement that of the out-going prospector.

Branches of the Royal Mint have been established in Australia—in Sydney (1855), Melbourne (1872) and Perth (1896), and entail little or no expense upon the Colony, whereas their existence is of incalculable benefit to the gold miner and to local trade.

#### SPANISH-AMERICAN WAR

Although Canada was not, except through its sympathies, directly interested in the results of the Spanish American war, it is impossible for us not to realize the fact that great changes in the foreign policy of the United States which may affect our commercial relations with that country must follow thereon. Sectionalism must give way to a recognition of trans-marine responsibilities. The ignorance and indifference of the agriculturist of the middle States regarding the welfare of the outside world will soon give place to a lasting interest in foreign conditions. Amongst other results that will follow—have followed I should say—upon the course of events is the establishment of a bond of sympathy and good fellowship between the United States and the Mother Country and the dissipation of the jealousies and misunderstandings of a century. The two nations

should now go hand in hand, a support to each other in the struggle for wider markets and the spread of Anglo-American civilization. The effect of the acquisition of territory upon the trade and commerce of the United States will be phenomenal—the occupation of its new possessions will open immense fields for capital and labour. The manufacturer, the electrician, the scientist, the agriculturist, and, last but not the least, the banker, all will be called upon to assist in the up-building of a great commercial empire. Are we in Canada to stand still? Are we not part and parcel of an Empire that is world wide with a population of nearly 400,000,000 of people, more than twenty-five per cent. of the population of the whole world? Can we do nothing to stimulate and encourage trade within that Empire? Are we forever to be told that the tie between one part of the Empire and the other is to be sentimental and nothing more? Of what use is the shedding of our best blood on the sands of Africa or on the snows of the Himalayas, if nothing is to come of the sacrifice but military glory? The effort of Sir Wilfrid Laurier to awaken an interest in Canada on the part of Great Britain by granting the Mother Country and her other colonies a preference in Canada over foreign nations is the first practical attempt on the part of either to create a union of commercial interests. Are we to rest satisfied with the good feeling that such a policy cannot but engender in the Mother Country or should we look for reciprocal action throughout the empire?

Jamaica, in despair, a victim of the free-to-all policy of England, is wandering helplessly about the seas, knocking at one door and then at another, begging for sympathy. Other West India Islands are in an equally deplorable condition. Can nothing be done to cheer their hearts and lighten their load, or must they perish of loyalty and of an unfeeling and selfish colonial policy? The commercial unity of the United States of America, with its recent acquisitions, Cuba, Porto Rico and the Philippines, will give those outlying territories an advantage over the competing and corresponding territories of our colonial Empire that must in the end be fatal to the continuance of that Empire. We in Canada must be up and doing, and if dismemberment does come, let us have the proud but sad consciousness of knowing that we did all that we were permitted to do to avert the disaster.

## ENGLAND'S FOOD SUPPLY

The war has reminded us of the present dependence of Great Britain upon foreign nations for her supply of food. Of wheat and flour alone her imports in 1897 amounted to the equivalent of 180 million bushels of wheat, representing the bread of 30,000,000 of the population. At an average of eighteen bushels to the acre this would be the product of 10,000,000 acres. An eminent scientist has told us recently that before many years chemistry will have to be brought into play in order to provide sufficient food for the hungry; let us assure Sir William Crookes that we have in Manitoba alone acres of untilled arable lands from which can be raised sufficient to supply the wants of Great Britain with a much denser population than she has to-day, and that beyond Manitoba we have in the Territories millions of acres of wheat lands awaiting the plough.

A much more serious question than an ultimate shortage in the world's wheat crop presents itself to the British public.

The war between Spain and the United States had no sooner been declared than England made haste to announce herself as a neutral power, and declared certain articles—coal amongst the number—as contraband of war; if the food of war ships may be considered contraband by one neutral nation, may not the food of soldiers be considered contraband by another? What would England's position be during a war with another power should Russia and the United States, which supply at present over 70 per cent. of England's importations, declare wheat contraband of war? The wealth of India could not buy it and within but a few weeks from the proclamations of neutrality bread riots in London would be the first fruits of a disastrous policy. If a preferential tariff policy is good for Canada, why should we not strive for its adoption by our Motherland? A slight duty on imports of foreign grains into England would bring with it a substantial revenue, would stimulate the settlement of our untilled lands and would within a few years place the food supply of England from within the Empire beyond peradventure without being a burden upon the consumer; the revenue from foreign "corn" would permit of a proportionate reduction in duty upon other articles that enter into daily consumption.

## DEEPENING OF CANALS—ABOLITION OF TOLLS

A fourteen-foot channel from Lake Superior to the Sea is promised for the season of navigation of 1899. The effects of that development may be far-reaching. In 1897 only one bushel of Manitoba wheat out of every five was shipped to tide water by the Canadian route—four bushels out of every five found their way to Europe via Buffalo and U. S. Atlantic ports. This year, owing to the unseasonable harvesting weather in Manitoba, the proportion that will go forward via Montreal will be still less. The fourteen foot channel will enable vessels with a cargo of 75,000 bushels of wheat to sail from Fort William or Duluth to Montreal and Liverpool. To-day the largest cargo over the same route does not exceed 18,000 bushels. Canal tolls between Lake Superior and Montreal amount to 10 cents per ton; the total amount of tolls collected during the year 1897 on the Welland and St. Lawrence canals amounted to \$254,963.

The construction of those canals at the estimated cost of over \$50,000,000 was not undertaken with the idea that the tolls upon tonnage or cargo would do much more than provide for repairs and maintenance. The objects in view were the cheapening of transportation, the diversion to the St. Lawrence route of the products of the great west, the building up of our own ocean ports, and the encouragement of the Canadian carrying trade, coupled with the employment of Canadian seamen.

The toll system, although not onerous, may be sufficient to defeat the objects we had in view, and I am sure that the inauguration of a policy of free canals would raise the value of the main products of our western provinces, would encourage shipbuilding in Canada, would divert to the improved channels a very large proportion of the grain which now is forced to find an outlet to the sea via Buffalo, and could not but be approved of by the Canadian people.

## CASH RESERVES OF BANKS

The anxiety of bank officials to increase the earnings of their institutions with a view to the payment of dividends to shareholders was never more in evidence than at present, and the ques-

tion has been asked if in our laudable efforts some are not losing sight of the responsibility which rests upon them of maintaining proper cash reserves. An examination of the monthly report of the chartered banks in the *Canada Gazette* will show weak spots here and there that should be strengthened. The subject is a delicate one; at the same time, under our present system of bank note circulation, each bank is to a certain extent responsible for the administration of every other bank, and I consider the reference excusable. We are practically guarantors for each other to the extent of the authorized limit of circulation and have a perfect right to criticize favourably or unfavourably the financial position of every institution whose name and statement appears in that report. It is most unfair that any one or more institutions should build up immense liabilities without providing an adequate cash reserve against even probable demands of depositors and note holders. What that reserve should be depends, of course, upon the nature of the liabilities and upon the character of the assets of the bank.

#### INSOLVENCY

I commend to your attention what appears on the subject of insolvency legislation in the report of the Executive Council, and while disclaiming any opposition on the part of the banks as a class to such insolvency legislation, I would ask you to exercise every legitimate and a united influence in opposition to any proposals that seek to deprive us of our equitable rights as creditors, and to assist in preventing the dishonest or incapable insolvent from again becoming a menace to the business community.

#### COMPETITION

Competition between banks is a matter for serious consideration. We all aim to do the best for our shareholders, but I feel convinced that there are times and opportunities when we could swell our business without cutting into that of a confrere. For example, there are yet many districts of Canada not adequately supplied with banking facilities. To find and locate in one of these would be more profitable to the bank and be of more service to the community than to crowd into a locality where banking facilities are already sufficient.

During the past year seventy-two new branches of chartered banks were opened in the Dominion, of which no less than thirty-six were opened at points then served by chartered banks.

#### EDUCATION

Much has been said lately regarding the useless and extravagant system of education in vogue throughout the greater part of Canada. Boys and girls are being trained by tens of thousands to occupy positions in life that will never come within their grasp, and by their very attainments are being forced to leave the country and seek their fortunes elsewhere. Canada is essentially an agricultural country and one would look for at least an elementary course in agriculture in our public schools, giving the youth of the country an inclination towards the development of the countless riches of the soil; but instead of such a policy we find days and months wasted in the indiscriminate study of algebra and mathematics and the dead languages. We are turning out school masters and doctors for the Western United States and are robbing our own country of its bone and sinew.

#### A WORD TO JUNIOR ASSOCIATES

When this Association was inaugurated it was designed in no small part to be an especial aid to junior officers, so that from time to time as senior officers disappeared from the scene, others still more competent might step into their places and assume their responsibilities. The journal of the Association was established to assist in this laudable object. And although many Associates are showing a lively appreciation of their privileges, I regret to find that a lack of studious effort and of a desire for a broad knowledge of banking law, practice and management is too common among the juniors of to-day. Successful banking is indeed largely and chiefly a matter of experience, and in this, as in other walks of life, the experience of others is a sign post to ourselves. I would strongly urge all junior officers not to be content with acquiring a rule of thumb knowledge of their own department, but to study the Bank Act, the legal decisions in which banks are concerned, as set forth in the JOURNAL, the daily market

reports and the course of events in the financial and commercial world. In the other professions a regular course of study, carefully planned out, is imperative, yet while no profession is more difficult to master than banking, far too many clerks shut their banking up with their ledgers and return to work next morning no whit the wiser regarding the profession to which they are devoting their lives and their destinies.

In giving over the Presidency to my very worthy successor, I do so with no misgivings. The responsibilities of the office are considerable, and its duties are not insignificant. I have performed these duties to the best of my ability, and, I trust, to the satisfaction of the Association.

I thank you all for the hearty support which I have received during my term of office.

D. R. WILKIE

*President*

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## CANADIAN CURRENCY AND EXCHANGE UNDER FRENCH RULE

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### IV. THE CLOSING PERIOD OF THE PAPER MONEY\*

THAT era of prosperity in Canada which, in 1840, produced the experience, unique for that colony, of a favourable balance of trade, and a consequent fall below par of exchanges on France, was not of long duration. But while it continued, some new situations were developed in the currency experience of the country.

When the demand for Canadian provisions brought about a lively export trade, the merchants found it no longer possible to procure for goods alone the produce wanted from the country districts. Hence cash payments became increasingly common, and it was for this reason, among others, that the card money was rapidly vanishing into the interior of the country. In the end of 1741 the governor and intendant report that of the 600,000 l. of card money then issued, not more than one third had been returned for conversion, and that proportion rapidly

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\* Chief sources:

Canadian Archives, "Correspondance Générale," Vols. LXXVI—C.

"Documents relating to the Colonial History of the State of New York," Vol. X.

"Collection de Manuscrits Contenant Lettres, Mémoires, et Autres Documents Historiques Relatifs à la Nouvelle-France," Vols. III. and IV.

"Edits, Ordonnances Royaux, Déclarations et Arrêts du Conseil D'État du Roi, Concernant le Canada."

"Histoire Monétaire des Colonies Françaises, d'après les Documents Officiels." Par E. Zay.

"Historical Documents, Published under the auspices of the Literary and Historical Society of Quebec."

"Mémoire d'Antoine de Bougainville Sur le'État de la Nouvelle-France à l'époque de la Guerre de Sept ans." in "Relations et Mémoires Inédits." Par Pierre Margry.

diminished in succeeding years. The greater part of it, they say, is either circulating in the interior of the colony, or is stored away by the people in their private coffers.

The government having little card money to work on was forced to make increasing use of treasury notes and receipts, in paying the merchants and others for supplies and services. The merchants in turn were forced to use the treasury paper in making their purchases from the country people.

But the treasury paper was not issued for convenient sums; besides it was all of much the same appearance, whatever the value. Hence, since the great majority of the country people could not read, they were never certain of the value of the paper money which they held, or which was offered to them. They were constantly liable to make mistakes, or to be deceived. Finding themselves thus liable to loss, they began to refuse the treasury paper, and to demand payment in card money, which was divided into definite and convenient sums, all of which were easily distinguishable, owing to the different shapes and sizes of the cards. Under these conditions the treasury paper began to fall into discredit, and the card money to rise to a premium.

The remedy suggested by the governor and intendant was the issue of an extra 120,000 l. in cards.

The Quebec merchants, who were much at a loss between the government on one hand and the people on the other, took up the matter themselves, and in November, 1741, through their syndic, or representative, P. T. Desauniers, appealed directly to Count Maurepas, Minister and Secretary of State. They complained of the difficulties just stated, and of the impediment which was occasioned to the trade of the country. Since the greater part of their trade was with the country people, they strongly urged the need for card money instead of treasury notes.

The financial report for the year 1741 clearly indicates the situation. At the close of the year there was left in the treasury at Quebec only 15,000 l. in card money. Evidently, then, the expenses for the coming year, amounting to something over one million, would have to be paid in treasury paper.

Although the ordonnances, or warrants, afterwards issued

by Bigot, were printed in France, and usually made out for definite sums, yet at this time the treasury notes and receipts were entirely written in Canada, and signed by Michel at Montreal and Varin at Quebec. Hocquart had apparently to sign them also, for he complains of the amount of time consumed in signing them, though others are employed to write them out. He asks to be relieved from that duty, saying that the confidence in all kinds of paper is so great that their credit would be quite good without his signature. Yet he admits that the soldiers endeavour to counterfeit them, as also the card money. He declares himself heartily tired of the multiplicity of paper, and longs for a supply of proper money in the treasury with which to pay the officers, workmen, purveyors and others who depend upon getting their payments promptly and in current money, to enable them to supply their needs or carry on their business. After the issue of the letters of exchange there should be sufficient good current money—and he includes card money under that title—to meet the expenses of the colony for the coming year. Besides petitioning for more card money, he desires the treasurer-general to establish an agency or office in Canada for the better administration of the financial affairs of the colony.

Isle Royale was at this time the great meeting place or centre of trade between Canada, the West Indies and France, together with the neighbouring fisheries.

For the purposes of the French privateers, Louisbourg, the capital of Isle Royale, was ideally situated with reference to the English fishing grounds, and the trade route between England and the West Indies by way of Boston, New York, and other colonial ports. The French privateers, obtaining stores and supplies at Louisbourg, issued forth to gather in fishing vessels from Boston and other New England ports, or seize upon English and West Indian traders not powerful enough to protect themselves. On the approach of any superior English force they could run into Louisbourg harbor, and be safe under the protection of its strong fortifications. Little wonder that the American colonists looked upon Louisbourg as their most grievous scourge, and almost exhausted their modest resources to accomplish its destruction. In this they succeeded,

as we know, in 1745, the place being weakened within by the very nature of its prosperity and the accompanying corruption. Nor need we forget that here Bigot served his apprenticeship, and laid the foundation of his ill-gotten fortune. Altogether, the place abounds with nourishment for those inclined to moral reflections.

For our purpose it suffices to observe that at Louisbourg Canadians found a ready market for their provisions, and an equally good market in which to purchase foreign goods, either brought from France or taken from English prizes. Here we find the key to the Canadian prosperity of the period.

The resident merchants at Louisbourg had adopted a special machinery of exchange to suit their conditions. When a cargo of Canadian produce arrived there, the local merchants purchased it, giving in return certain notes or promises to pay, which were always redeemable in coined money or codfish. But the Canadian traders generally desiring to take back an assorted cargo of European goods, purchased them from the French traders there, giving these notes in return. The traders again, if going to the West Indies, would convert the notes into codfish and other provisions, or, if going to France, would convert them partly into provisions from Canada or the West Indies, and partly into cash; a cargo of French goods being worth more than a cargo of provisions.

The coined money, which was always circulating at Louisbourg, came partly from France, partly from English prizes, and partly from the West Indies, being most of it ultimately drawn from the Spanish possessions on the mainland.

The Acadians, usually represented by their Canadian kinsmen as an ignorant, ill-thriven and extremely miserly people, sold what little they could scrape together in the Louisbourg market, but instead of taking back with them any considerable quantity of the various goods to be had there, preferred to carry away the hard money, which they carefully secreted in their cheerless homes, preferring riches to comfort.

In making a general report on the condition of affairs in 1745, after the capture of Louisbourg by the English, the governor and intendant report that the Acadians have steadily drawn from Isle Royale, in the manner referred to, nearly all

the specie which the king had sent out to Louisbourg. Sieur Marin, in his expedition against the settlements on the Connecticut river, had obtained supplies from the Acadians in the usual manner, by giving them orders on the treasury which were payable in specie or bills of exchange at Louisbourg or Quebec. Now that Louisbourg has been taken, they have promised to pay them next year at Quebec, and as they are sure to want specie it will be necessary for the king to send out 80,000 l. or 100,000 l. in silver.

Incidentally it appears that the standard of money in Acadia was considerably above that in France or Canada. Apparently the old augmentation of one third in value was still in force there. The *écu* in Acadia was worth 8 l. 8 s., whereas in France it was then rated at 6 l.; hence, as the governor says, an appropriation of 6 l. for every 8 l. 8 s. of Acadian paper will suffice.

After the loss of Louisbourg, though the Acadians were in no way eager to assist the English except for ready cash, yet they were no less unwilling to part with supplies to the French when they had nothing better to offer than orders on the treasury. Hence we find Hocquart, about 1746, sending \$1,000 (piastres) to Guillimin to purchase supplies in Acadia.

Returning to affairs in Canada, we find that after repeated representations and petitions on the subject of an increase of the card money, the Court, in February, 1742, conceded the issue of another 120,000 l. It is a little difficult to understand the attitude of the French government in its abnormal caution as to the possible over-issue of card money while taking so little precaution to regulate the rapidly increasing amount of treasury paper, which, being necessarily used as a circulating medium, presented the only real danger of over-issue.

Writing on October 20th, 1742, acknowledging the receipt of the ordinance authorizing the additional card money, the governor and intendant state that up to that time 42,000 l. of the extra 120,000 l. had been issued, and that the remainder would be prepared during the winter. Only 142,313 l. of card money had been returned that year, hence there was no possible risk for the credit of the extra amount. They state also that

there is absolutely no specie in circulation. What gold or silver there is in the country is carefully hoarded by avaricious persons.

The tendency to private hoarding, which at that time was quite common and natural in all countries, was specially characteristic of the French peasantry and has remained so to this day in both France and Canada. In Canada, however, it was not carried to such a miserly extreme as in Acadia. The characteristic is worth remembering, as it will serve to explain the sudden and unexpected appearance of specie in considerable quantities in localities whence it was thought to have completely vanished.

This fact presents a striking exception to the usual interpretation of Gresham's law as indicating that the introduction of inferior money will drive good money out of the country. In Canada the introduction of inferior money simply permitted the better money to be hoarded within the country. Hence, although in the period upon which we are entering almost nothing was visible in Canadian trade but paper money, we are not justified in coming to the conclusion that there was nothing but paper money in the country, even at the time of its greatest depreciation. Opportunities frequently occurred for obtaining specie from without, and, so far as we can trace its movement in Canada, it is almost always on its way to the private hoard, not on its way out of the country.

Even before the issue of the new card money its disposal was provided for. To meet outstanding deficits up to 1739, 32,581 l. were required, and the remainder was to be devoted to the deficits of 1740 and 1741. That for 1740 amounted to 28,981 l., and it is with pain, as the intendant pathetically puts it, that they have to announce the deficit for 1741 to be 103,169 l.

The 120,000 l. of extra card money had therefore vanished before it was issued and the treasury was as lean as ever. With true Gallic politeness they daintily insinuate that there would not be the slightest danger should the card money be increased by even another 80,000 l., making the increase an even 200,000 l. However, as they add, the matter is of so delicate a nature that they hesitate to do more than merely suggest it at present.

Possibly it might be better on the whole, if agreeable to the minister, to send out a sum in specie to meet the deficits. Thus do they suggest the impossible as an alternative for the difficult.

The report for 1743 is in much the same strain. There is still augmenting outlay, due mainly to the expense of supporting the good humour of the Indians, and yet the instability of the Indian humour seemed to increase even more rapidly than the expenditure for its support. The credit of the card money continues above suspicion. The proportion of it returned for redemption in exchanges continues to decrease, while the quantity of treasury paper in notes, receipts, or warrants (billets, acquits au ordonnances), is on the increase.

The growing difficulty in disposing of the treasury paper, and the dearth of card money to take its place, seems to have caused some of those having claims on the government to take their payment in goods from the king's stores. But it is urged by the Canadian authorities that it is not proper for the expenses to be met by merchandise from the king's stores, which were specially intended to afford supplies in case of need. Under shelter of this statement they again bring in their proposal to issue more card money, 100,000 l. is the sum mentioned, which will aid the internal commerce of the country, and assist in paying deficits. The appeal, however, went unheeded.

In 1744 it became necessary to regulate anew the value of the copper sols circulating as small change. As already observed, before 1732 two kinds of sols marquez, as they were called, were in circulation; old sols valued at 18d., and new sols at 27d., while in France the uniform rating was 24d., hence, in 1732, the same rating was adopted in Canada. But in France the old sols, being recalled, were not legal tender, while in Canada no distinction was made. Consequently there was a profit to be made in gathering up old sols worth 18d. and sending them to Canada, where they passed for 24d. This importation increasing, an ordinance was issued in January, 1744, once more reducing the value of the old sols to 18d. The loss to the king on the quantity of these coins, held in the different offices of the colonial treasury, amounted to 674 l. 9s.

As the currency of Canada was so completely dependent on the financial needs of the colony, it may be of interest to

know what revenue the king derived from the country at this time. Elaborate reports on the finances were constantly being sent to France. The following is a summary of the report for 1744 :

Import duties on liquors (divided into six sub-secs.)	..56,838 l.	8s.	2d.
Export duties.....	1,400 l.	os.	od.
Seignourial dues .....	1,430 l.	4s.	1d.
Lease of the king's post at Tadoussac .....	4,500 l.	os.	od.
Total .....	64,168 l.	12s.	3d.

From this statement it will be observed that the progress of the colony was not impeded by unnecessary or oppressive taxation. But when we take into account the number of directions in which trade was totally prohibited, and the legal and other restrictions upon it, we find that there may be more effective impediments to trade than high taxes.

During the period from 1738 to 1745 the best fields for Canadian trade fairly coincided with the outlets permitted to it, hence the relative prosperity of the period.

Another gain to Canada was the revival in 1743 of the ship-building industry, on the king's account, at Quebec, which had been suspended since the time of Colbert and Talon. Up to the end of 1744 exchanges on this account had been drawn upon the royal treasury to the extent of 169,885 l.

But when, in 1745, Louisbourg was captured by the English, the great outlet for Canadian produce was lost, and from that time the decline of the regular colonial prosperity dates. Such good fortune as was enjoyed by special individuals or special interests before the fall of the country, was due to the artificial conditions of war and the waste and corruption which accompany it. Before the loss of Louisbourg, flour was selling in Canada at from 10 to 12 l. per quintal, after its capture the price fell to 6 and 7 l.

At the same time the military expenses of the colony increased enormously. The extra expenditure undertaken in 1746, in connection with the war, amounted to 1,051,896 l., of which the details are given, showing it to have gone mostly for fortifications and scalping expeditions to terrorize the outlying English settlements.

The total amount of treasury paper for all purposes re-

turned for conversion in October, 1746, amounted to 1,776,331 l. 17s., and of card money only 38,222 l. 12s. Hocquart, the intendant, adds significantly, that if he had not shut down promptly on the 20th of October he would have had a much larger sum to meet, owing to warrants coming in from Acadia and other distant parts.

We have thus reached the period when the business and currency of the country ceased to be governed by the normal conditions of production and consumption, and the need for a medium of exchange proportioned to them. Henceforth the normal commerce and currency of Canada are swallowed up and lose all identity in the enormously increased expenditure on the king's account, dominating the markets for home and foreign goods, and wholly determining the machinery of exchange, domestic and foreign.

Among the changes arising from the new conditions which produced a derangement of values we may take the following :

The intendant reporting on the enormous increase of the expenses, says that it was necessary to draw exchanges for all the paper presented in order to support the king's credit, pointing out the financial embarrassment which he would suffer were confidence in the prompt payment of claims destroyed. Nevertheless, when the bills reached France their payment was deferred, in part at least, if not altogether.

Here we have the beginning of that postponing of payments by the French treasury which first impaired and ultimately destroyed the credit of the treasury paper and even of the card money as well.

The Quebec merchants at once felt the effects of the deferring of payment, and through their syndic made a protest to the governor and intendant. They declare that they are not alarmed as to the ultimate payment of their exchanges, but the delay has the greatest effect upon the commerce of the country, which requires prompt returns. As Hocquart himself puts it, the action of the French treasury has already greatly raised prices in Canada. People fearing that their bills may be deferred again next year, are attempting to exchange them for bills on the Company of the Indies obtained for furs sold them. This has had the effect of causing the Company's bills to run

to a high premium. Others have sought to purchase furs with their bills, with the consequence that the furs have gone up 15 to 20 per cent.

The only way, says the intendant, to arrest these evils is for the king to assure the merchants that the bills will be promptly paid when they fall due.

The intendant naturally writes in a tone of considerable anxiety, inasmuch as the expenses for 1747 exceeded those of the preceding year by over one million livres. In apologizing for this heavy increase he pleads that it is not he who authorizes the various expeditions, offensive and defensive, which are operating in different parts of the country. Neither can he refuse to issue exchanges for the treasury notes that come in, otherwise his credit would be lost in a day. Apparently he had been instructed to draw fewer bills or in some way curtail the amount of exchanges, for he admits that he has been unable to carry out his instructions.

However he was immediately afterwards relieved from his embarrassing situation, and in 1748 Bigot, who had already acquired fame at Isle Royale, succeeded him as intendent. At the same time the war came to a close through the treaty of Aix-la-Chapelle, which restored to France Isle Royale with its important centre Louisbourg.

Bigot, who was a character of much more vigour, independence and self-confidence than Hocquart, immediately began to re-organize the Canadian system of finance and exchange. In his first report, October, 1748, he recommends a change in the form of the treasury notes. The written notes issued by Hocquart were too easily counterfeited, quite a number of the counterfeits having been met with that year. His plan is to have the notes printed in Paris and their form changed from time to time. He gives a model of the issue which he proposes and asks that 12,000 of them be sent out.

Though the war had ceased yet the expenditure was well maintained, over two millions in claims coming in that year, which together with the deficits of past years made a total of 3,142,781 l. 11 s. 4 d. The expenses of the war, Bigot freely admits, have been very great, and, with the frankness of a man who has himself a clear conscience, he says that many indi-

viduals have acquired riches at the king's expense. It is the rule for every one to look out for himself without considering consequences.

Bigot had associated with him as controller, M. Bréard, from whose report in 1748 we learn that the deficits which had accumulated in Hocquart's time, and which caused such confusion in the administration of the finances, were due to the custom of appropriating a certain sum for each year, and regarding all expenditure exceeding that sum as a deficit. This system, he says, should be given up, the deficits paid off and the expenses of each year paid as they fall due. This advice was adopted and certainly simplified the book-keeping connected with the finances, while at the same time it gave a freer hand to Bigot.

The Ministry was finally persuaded to decree, on April 17th, 1749, the issue of 280,000 l. more of card money, making the total issue a round million.

An ordinance passed in 1749 altering the official price of beaver to be paid by the Company of the Indies, brings out the fact that for some time previous to this the company had been in the habit of issuing receipts for beaver as it came into their warehouse and then redeeming them at the close of the season in letters of exchange on their treasurer in Paris. These receipts circulated to a certain extent along with the card money and the treasury paper, but when the latter was impaired in value by deferred payments of the exchanges drawn for it, the company's receipts rapidly came into special favour, being estimated next to card money; and when that fell with the rest in 1753, they became the most highly valued paper currency in the colony.

After the peace of 1748, and the restoration of Louisbourg to France, matters mended somewhat, and exchanges seem to have been fairly well paid, though the expenditure was still high.

Bigot's new plan for the treasury notes proved very successful. By having them printed and issued for a regular scale of values, they were brought into line with the card money, and according to Bigot's report in 1752, had acquired the same credit. They were issued for the following values: 20s, 30s, 3 l,

6 l., 12 l., 24 l., 48 l., and for 50 l. and 100 l. In 1757 notes for 96 l. were added. These harmonized with the cards, which, as already stated, were issued for 7 s. 6 d., 10s., 15s., 1 l., 3 l., 6 l., 12 l., 24 l.

It was found that the notes for the smaller sums, being most readily accepted by the common people, remained in circulation longest.

The first supply of printed forms ran out before another arrived, and in 1752 Bigot complains of the shock to his well ordered financial system which has resulted from his being compelled to resort to written notes for a time. As they come back so promptly for payment they necessarily increase the exchanges at the close of the year. Even when a fresh supply arrived there were only 16,000 in place of 60,000 ordered. As a result Bigot says he will be compelled to issue bons for the larger sums instead of the smaller which circulate longer and more widely. They must at once send him 100,000 more. He also asks for an additional 6,000 l. worth of sols marquez, or two sol. pieces.

In another letter of the same year, 1752, in answer to remonstrances from Paris as to the sustained expenses of the colony, notwithstanding the late peace, Bigot expresses the utmost sympathy with the minister's feelings on the subject. He does not wonder at the minister's astonishment. He is astonished himself, terribly mortified in fact, to have failed so completely in diminishing expenses. But while he is becomingly grieved he is not at all penitent. He frankly admits that he has given up the struggle, seeing for the future no hope of reducing the expenditure, but rather a strong probability of it increasing. The military authorities plan the expeditions, not he. He has simply to furnish them with the necessary means. The exchanges drawn this year amount to 3,495,675 l. and next year they are pretty certain to be over four millions. In this he was not disappointed.

The fact was that Bigot did not believe in penurious budgets or a scant equipment of the king's expeditions. He thrived on lavish expenditure, and rejoiced in large orders from commanding officers. The officers on their part, at least the French-Canadian ones, voted him an ideal intendant; and the

French-Canadian governor, Vaudreuil, in a letter to the minister in 1755, eulogizes him in extravagant terms for the completeness with which he had equipped his expeditions against the English and for the zeal and foresight which he had shown in anticipating every want. Indeed, he is declared to be quite indispensable in the colony under existing conditions. It was reserved for Montcalm, Lévis, Bougainville, Doreil and other French officers to point out what was the real meaning of Bigot's lavish expenditure.

At the same time, after looking into the details of the period, one has to admit that Bigot was really a man of exceptional ability, insight and largeness of view. As regards his corruption it was not unique, though it was conducted on the grand scale. As one of the memoirs of the period puts it:—"The intendants and governors go to the colonies with a view to enrich themselves, and at their embarking they leave their honour and probity in France, usually forgetting to be just and honest." Nor was that sort of thing confined to French colonies. Take the abundant evidence of the period as to the operations of the English officials in India, America and elsewhere, and we find, with a few notable exceptions, much the same story. Bigot, however, was, as has been said, no ordinary man. He was sure to excel in whatever he bent his mind upon, and in Canada he was undoubtedly much devoted to the amassing of a fortune out of the king's expenditure there.

The French government, on receiving Bigot's sympathetic but discouraging letter, seems to have determined to offset his increased demands by introducing a regular system of deferred payments. Instructions were sent to Canada that the bills to be drawn in 1753 were to be made payable in three terms, one third in 1754, one third in 1755, and the remaining third in 1756. A change was made the following year, and from 1754 until the loss of the colony, the proportions of the annual payments were one fourth the first year, one half the second year, and one fourth the third year.

In this arrangement no distinction was made between the card money and the treasury paper, hence the superior credit of the cards vanished, and a rapid decline in the whole paper money of the country followed, with a proportionate increase in prices, augmented, too, by special conditions of scarcity, etc.

When in 1755 the king sent out regular troops to Canada, the officers and soldiers were promised that they should be paid in specie, and not in the already considerably depreciated colonial paper. This policy resulted very unfortunately for almost all parties.

The minister, writing to Bigot on the first of April, 1755, explains the plan to be adopted.

First of all the intendant is authorized to draw letters of exchange, for the expenses of the imperial troops alone, payable the year following, as originally, though he is asked to make the date of payment as far on in the year as possible. It is expected that in consequence he will be able to obtain the necessary provisions for the troops at a corresponding reduction in price, as compared with what is charged when payment is made in exchanges extending over three years. But it is necessary to make a general reduction of the excessive prices which have prevailed in Canada for some time. The most effective way of doing so would be to pay in specie the whole of the expenses of the king in Canada, and he would adopt this method were it not that the condition of the treasury renders it impossible. As it is, he can send only sufficient specie to pay the troops who are going out, and he asks the intendant to observe what effect that money will have in reducing prices, and how much more he thinks would be necessary to bring them back to their normal level.

In his estimate of the Canadian situation and the remedy required, the French minister has made several mistakes. In the first place complete payment in specie was not at all called for in Canada. Under the conditions which then prevailed, the imports of necessity greatly exceeded the exports, which, except for the beaver, had almost ceased, being more than required in the country itself. Hence, were specie sent out to Canada, most of it must simply have returned to France, or gone to other countries to pay for imports. The risk of sending specie in time of war would considerably diminish its value, whereas letters of exchange, drawn against the specie if left in France, would have answered all the Canadian needs, and at the same time would have been a much safer and better method of making payments. All that was necessary to get rid of the abnormal

rise of prices in Canada, so far as this was due to defects in the mechanism of exchange, was simply to make prompt payment of the exchanges drawn on the French treasury. But, where the central difficulty was the emptiness of the French treasury, this alternative to sending specie to Canada, though urged by Bigot, brought small comfort to the minister, and no relief to the colony.

So far as the high prices in Canada were due to the large extra demand upon the produce of the country, while many of its producers were drafted away on scalping expeditions from the Atlantic to the Mississippi, no mere substitution of specie for paper could make any difference, the high prices being due not to the kind of money, but to the quantity of it as expressing a proportionate demand.

What actually did result from the amount of specie which reached Canada, we learn from Bigot's letter of November 8th, 1755, which shows that he understood the nature of the situation much better than the minister. There was sent with the troops the sum of 1,200,000 l. in specie, but a considerable portion of it gladdened the hearts of the English sailors who captured the vessel *Alcide*. Exactly how much reached Canada is not stated, though it may be gathered from another statement of Bigot's that about one million arrived safely. According to Bigot, the specie sent did not cause prices to fall, yet we find from other documents that it soon resulted in establishing two prices, one for specie and another for paper. Goods did not become cheaper in specie, they merely became dearer in paper.

The prices of provisions, says Bigot, is kept up by the common people, who use just as good food as any one in the colony. Scarcity and dearness are due also to the increasing demand on the king's account, and especially for provisioning the king's vessels. These facts and not the payment in paper will account for the rise in prices.

Again, as a matter of policy it is much wiser, says Bigot, to pay in paper than in specie, because the people, holding their savings in paper, the value of which depends upon the credit of the French government, are certain to be more active in the defence of their country, their interests being tied to those of the king.

He also states that for some years past much of the card and paper money has been accumulated by the people for want of specie.

Bigot's general conclusion is that the card or paper money is much the best for the colony, and would be perfectly satisfactory if only the exchanges were promptly paid the following year. He is quite sure that, under these conditions, the merchants would much prefer it to specie.

In another letter Bigot declares that the specie sent out with the troops rapidly disappeared from circulation, the French-Canadians paying a premium for it in order to store it away, the soldiers also saving it up against their return to France. In this way, he says, about one million has been added to the private hoards, setting free a much larger amount of paper to increase the exchange on France.

In 1756 there was again sent 1,257,571 l. in specie for use in Isle Royale and Canada. A certain portion of this also was captured by the English. This sum still further discredited the paper and made it more certain that the troops would resent any future attempt to pay them in that depreciated currency.

Up to this time the officers and others were able, with their specie, to purchase exchanges on France payable in full at a short date. But as this made such a direct and glaring contrast with the paper money, Bigot interpreted the power to issue exchanges as applying only to the paper money, and discontinued the sale of exchanges for specie, much to the chagrin of the officers.

This grievance, however, was of short duration, being immediately swallowed by a greater, namely the discontinuance, in 1757, of payments in specie, and the resort to paper money for every form of government payment. At once the cost of living was greatly increased for the French troops, which led to much outcry on their part. The claim was made that the allowance should be increased to compensate for the lower value of the paper.

In the meantime the expenses of the colony were increasing in a most alarming manner. In Murray's general report on

the country after the Conquest, there is given a very moderate estimate of the expenses for the closing years of French rule. It is as follows :—

1754.....	6,000,000 l.	1758.....	24,000,000 l.
1755.....	5,500,000	1759.....	30,000,000
1756.....	8,000,000	1760.....	1,300,000
1757.....	12,000,000		

These figures are below most of the French estimates, even some of those of Bigot himself.

The finances of the colony were in a state of hopeless confusion. There was no proper check upon payments made at the various posts, no adequate supervision of the manner in which supplies were furnished under contract, and no limitation upon the treasury paper issued by the intendant, who alone signed it. There was thus the most direct encouragement to fraud of every kind.

About the end of 1758 the French government began to wake up to the necessity for numerous reforms in the system, and in the beginning of 1759 a long letter from M. Berryer, the minister, to Bigot, indicates that the government is quite aware of the very unsatisfactory state of the Canadian finances and currency. He enjoins on Bigot some immediate reforms, and indicates many others which must be made as soon as affairs permit. But even immediate reforms were by this time impossible. All method was abandoned in the effort to avoid destruction.

The value of the paper money was going down rapidly. Even before the loss of Quebec ready money was at a premium of one-third, notwithstanding the repeated assurances of the authorities that the king's obligations would be faithfully met.

To the last Bigot, in his reports to the minister, maintained an attitude of frank and cheerful virtue. In April, 1759, he states that his anticipations of a very considerable increase in the expenditure promise to be more than realized, as he estimates now that the exchanges to be drawn will amount to from thirty-one to thirty-three millions. He still claims freedom from all responsibility for the expenses at the posts and forts. The certificates all come to him through the usual channels, and it is impossible to closely scrutinize them in time of war. He

frankly acknowledges that there is probably a great deal of corruption going on, but it is not within his jurisdiction, at either Quebec or Montreal; it is all at the distant posts. He admits, too, that he has very high prices to pay for everything, but that again is due to circumstances which he has often explained.

On the other hand we have a great mass of material giving evidence and instances of the corruption going on everywhere in the colony, and of Bigot's share in it, which is that of the master mind.

These statements, however, are not all to be taken as gospel. Bigot could not be altogether responsible for bad harvests, deferred payment of exchanges, or the capture of supply vessels by the English. Yet these things all aided in raising prices, augmenting expenditure, and causing a dearth of supplies in certain lines. Nor was it possible for him, even had he been consumed with zeal in economizing the king's resources, to supervise or control the outlay at distant posts for the supply of troops or the bribing of the Indians. When, shortly after this, it was England's turn to go through much the same process, at the period of the American Revolution, the same difficulties were met with, and a still greater outlay entailed, the greater bulk of it being due to these same western posts.

The haste of everyone to make a fortune was the characteristic of the last days of French rule in Canada. People were making sacrifices for money, but few were prepared to make sacrifices from loyalty to France. "They are gorged with money and dying of hunger," is Bigot's picture of the habitant in the last days of the colony.

When once they had learned that the English were not the ruthless and bloodthirsty monsters which the zealous exponents of loyalty had represented them to be, terror of the English and loyalty to France suffered a common fate.

The English at Quebec found no difficulty in getting supplies from the country in return for their ready money, while the French government, further up the river, could command nothing except by force or in return for the small store of specie which the officers still retained. Even the clergy hastened to dispose of their tithe produce for English money, to save it from a forced sale to their fellow citizens for orders on the French treasury.

On the other hand, the English merchants who followed the victors to Quebec, had no difficulty in disposing of their goods for specie to all but the poorest section of the populace. When, therefore, the country passed into the hands of the English, though it was filled with French paper, for the time being almost worthless, yet there was no currency famine. French crowns and louis simply came out of hiding. This explains the, rapid restoration of the colony to its normal condition, and even shortly after, to an unwonted degree of prosperity.

It remains only to explain what became of the mass of paper money and unpaid exchanges which represented the obligations of the French government towards the Canadians when transferred to English rule. The subject has an additional interest at present owing to the existence of a somewhat similar question, in principle if not in form, between Spain and the United States. This matter will occupy the closing paper of the series.

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## CROSSED CHEQUES

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ALTHOUGH the law of bills and notes, in so far as it differs from the ordinary law of contract, depends for the most part upon the custom of merchants, yet the history of crossed cheques illustrates how difficult it now is to engraft upon that law any material change or addition having its origin in custom, and how difficult it is to change, even by statutory enactment, a law so wide in its application and so revered as the law merchant.

For many years prior to 1845 the custom of crossing cheques had grown up among London merchants, the crossing sometimes specially naming a banker, sometimes being merely the words "& Co." If one may judge from comments in the legal periodicals upon the result of the case referred to below, the popular impression in 1845 was that such a crossing restrained the negotiability of a cheque, and in the one case made it payable only to the banker named and in the other only to *some* banker. The existence and effect of this custom came up for consideration in the case of *Bellamy v. Majoribanks* (7 Ex. 402, A.D. 1852), and the result was a surprise. The facts in that case were shortly these :

Bellamy & Foster had an account with Coutts & Co., bankers in London, and on 23rd June, 1845, they drew a cheque for £2,596 17s., payable to E. B. Geary or bearer, crossing it "Bank of England for account of Accountant General." The cheque was delivered to Geary. He ran a pen through the crossing, leaving it, however, perfectly legible, and crossed the cheque with the name of Gosling & Co., his own bankers. He then deposited it to his own account with Gosling & Co. They presented it the next day to Coutts & Co., who paid it. Geary was not entitled to the money himself, but he used it, and Bellamy & Foster were obliged to make it good to the Accountant General, and they brought the action against

Coutts & Co., alleging that, according to the custom and usage of bankers, it was their duty not to pay the cheque otherwise than to the Bank of England; in other words, that, although the cheque was drawn payable to bearer, yet by the crossing it became payable, not to the bearer, but to the Bank of England only.

The Court in giving judgment said: "It was agreed on all hands that the practice of crossing cheques originated at the clearing house, the clerks of the different bankers, who did business there, having been accustomed to write across the cheques the names of their employers, so as to enable the clearing house clerks to make up the accounts . . . . The establishment of the clearing house is comparatively modern, and was within the memory of several of the witnesses. It afterwards became a common practice to cross cheques, which were not intended to go through the clearing house at all, with the name of a banker or with the words '& Co.," and a custom or usage has certainly sprung up in regard to this also. All the witnesses agreed as to the fact of the existence of such a custom, and we think that the great preponderance of the evidence on both sides, tended to show the custom to be, that where a cheque is crossed, bankers generally refuse to pay it to any one except a banker, and if they do pay it to a person not a banker, they consider that they do it at their peril in the event of the party, to whom the payment is made, not being entitled to receive it. That the object is to secure the payment, not to any particular banker, but to a *banker*, in order that it may be easily traced for whose use the money was received, and that it was not intended thereby to at all restrict the circulation or negotiability of the cheque, but merely to compel the holder to present it through a quarter of known respectability and credit."

Referring to the custom relied on by the plaintiffs, the Court said: "We are also of the opinion that such a custom, if proved to have existed in fact, would be incapable of being supported in point of law. The crossing of a cheque cannot operate as an endorsement to the banker whose name is used, because it was not written with any intent to transfer the property in the cheque to him, and it wants the essential part of an endorse-

“ment, the delivery of the instrument to the endorsee, and we  
 “think that it cannot well be supposed that the usage is to be  
 “considered as equivalent to a direction by the holder or drawer  
 “not to pay to the bearer but to a particular person only, for  
 “then the cheque would be altered in a manner which would  
 “take it out of the exemption of the Stamp Act, which exemp-  
 “tion applies to cheques payable to bearer only. We are,  
 “therefore, of opinion that crossing the cheque, with the name  
 “of a banker, cannot have the effect of restricting the negoti-  
 “ability to such banker alone.”

Dealing with the argument that the crossing, being by the drawer himself, who had power to give any directions he pleased to his bankers, was equivalent to the addition to the cheque of an express direction that it should not be paid to bearer, but to the Bank of England only, the Court said: “This reasoning  
 “would be correct if the crossing, when made by the drawer,  
 “by the custom amounted to a direction to pay the named  
 “banker only and for the named account. If such were its  
 “conventional meaning, it would be necessary for the bankers  
 “not merely to look at the signature of the cheque, but also at  
 “the handwriting of the crossing. It is a matter of evidence  
 “what its meaning is by usage. The evidence has not made  
 “any distinction between the meaning of the words when  
 “written by the customer of the banker and by a third person,  
 “and according to the weight of evidence they have not the  
 “restrictive meaning attributed to them by the plaintiffs’  
 “counsel.”

In another part of the judgment the Court said: “We  
 “think the crossing of a cheque is a protection and safe-  
 “guard to the owner of a cheque, and that, in the event of a  
 “banker paying a crossed cheque otherwise than through a  
 “banker, the circumstance of his so paying would be strong  
 “evidence of negligence in an action against him . . . .  
 “If the banker disregarded the custom and paid the cheque to a  
 “private individual, that circumstance would be strong evidence  
 “against him, in the event of his seeking to charge his customer  
 “with the payment, if the person actually presenting it was not  
 “the lawful holder and bearer of the cheque . . . . The  
 “practice of crossing cheques is for the protection of the owner

“of the cheque, and we feel strongly that to carry it farther, and  
“make the banker answerable to his customer for the appropriation by the payee, of the proceeds of a crossed cheque *received through a banker*, would render the conduct of banking business very difficult, if not impracticable, and would cast a serious and probably mischievous impediment in the way of carrying on the money transactions of this country.”

This decision was a surprise and disappointment to the drawers and holders of cheques, who had been living in fancied security that by crossing a cheque with the name of a banker, they were thereby directing the banker on whom it was drawn to pay to the named banker only, and a loud call was made for legislation to get rid of the effect of the decision, and to throw upon bankers the responsibility which it was supposed they had all along been under. The demand for legislation was successful, and, in 1857, 19 and 20 Vic., cap. 25, was passed. The recital is interesting and shows the reason for the enactment. The Act is as follows:—

“Whereas doubts have arisen as to the obligation of bankers with respect to cross written drafts; and whereas it would conduce to the ease of commerce, the security of property and the prevention of crime if the drawers or holders of drafts were enabled to direct the payment of the same to be made only to or through some banker; Be it enacted that in every case where a draft bears across its face an address, in written or stamped letters, of the name of any banker, or of the words ‘and Company,’ in full or abbreviated, either of such additions shall have the force of a direction to the bankers upon whom such draft is made, that the same shall be payable only to or through some banker, and the same shall be payable only to or through some banker.”

It was not long before the effect of this statute came up for consideration in Court, and the result was another surprise and disappointment to the commercial community and another triumph for bankers. A few weeks after the Act was passed Simmonds drew upon his bankers a cheque payable to bearer, which he crossed “& Co.” It was sent off by post, but the envelope was opened and the cheque stolen. The thief obliterated

ated the crossing so cleverly that traces of it could only be discovered by minute inspection with a strong light. The cheque was paid over the bank's counter to the person presenting it. Simmonds objected to the payment, and brought an action to test the right of his bankers to charge it to his account, and he relied on the provisions of the statute just quoted. The jury found that there had been no negligence on the part of Simmonds or of the bankers, and the question resolved itself into one of law only. The Court held:—

1 That the statute applied only where, at the time of presentation for payment, the cheque bore across its face the crossing referred to.

2 That the crossing might be put on by one holder and taken off by another.

3 That the crossing was not a part of the cheque itself, so that an alteration in it would not avoid the instrument. (*Simmonds v. Taylor*, 4 C.B. N.S., 463.)

The result was that the bankers again won "to the annoyance and consternation of the mercantile community." (31 L.T. 2).

The effect of the decision was, of course, that the crossing was a mere ambulatory direction, which might be revoked by any holder who desired to run a pen through it, or to obliterate it, and that, as a consequence, anyone who found a crossed cheque would have no more difficulty in getting it paid than he would have had before the statute was passed.

A somewhat heated discussion, by correspondence and editorials, was carried on by the commercial and legal journals, and in the next year (1858), 21 and 22 Vic., c. 79, was passed. The first section made the crossing a material part of the cheque. The second enabled a holder to cross a cheque with the same effect as if it had been issued crossed. The third made the obliteration of a crossing a forgery; and the fourth exempted a banker from liability for paying a cheque when the crossing or alteration does not plainly appear, "unless such banker shall have acted *mala fide* or been guilty of negligence "in so paying such cheque."

Following this statute came the case of *Smith v. The*

*Union Bank* (L.R. 1, Q.B.D. 31), which was another surprise, "to the annoyance and consternation of the mercantile community," and another triumph for the bankers.

Smith had received from his debtor a cheque drawn on the *Union Bank*, payable to order. Smith crossed it specially to his own bank and endorsed it in blank. It was stolen, and, being negotiable, the thief transferred it to a *bona fide* holder for value. This holder deposited it in his own bank, which was not the bank named in the crossing. It was presented by the holder's bank and paid. Smith then brought an action against the *Union Bank* for damages on account of the neglect of the duty imposed on it by the statute. The Court held that, as the cheque had by Smith's endorsement been rendered negotiable before it was stolen, it remained negotiable notwithstanding the crossing; that the *bona fide* holder had acquired a title as against Smith, which he might have rendered effectual by getting the cheque presented through the specially named banker, and that Smith had suffered no damage because the cheque had been paid to a different banker.

This decision, though affirmed on appeal, was much commented on, and an appeal to Parliament was again made, and in the next year (1876), Parliament interfered, and 39 and 40 Vic., c. 81, "The Crossed Cheques Act, 1876," was passed. This, with some slight changes, was embodied in the Bills of Exchange Act, from which the provisions in our own Act respecting crossed cheques were taken; and, as twenty-two years have elapsed since the law, as it now substantially exists in England, was passed, and as no serious call for amendments has been made, it is fair to presume that the greatest commercial community in the world, at whose instance the law was passed, and who have largely availed themselves of it, are satisfied with it, and that it has proved beneficial to them. The purpose of this paper is to show that the same law would prove of equal benefit to Canada, were it made use of by our commercial community.

It will be convenient now to quote the provisions of our own Act, and to consider their effect and point out their advantages and disadvantages to the drawer of a cheque, the holder and true owner, the collecting bank and the bank on which it is drawn.

Sections 75 to 81 of The Bills of Exchange Act, 1890 (Canada), are as follows:—

**75** Where a cheque bears across its face an addition of

(a) The word "bank" between two parallel transverse lines, either with or without the words "not negotiable"; or

(b) Two parallel transverse lines simply, either with or without the words "not negotiable";

That addition constitutes a crossing, and the cheque is crossed generally:

(2) Where a cheque bears across its face an addition of the name of a bank, either with or without the words "not negotiable," that addition constitutes a crossing, and the cheque is crossed specially and to that bank.

**76** A cheque may be crossed generally or specially by the drawer:

(2) Where a cheque is uncrossed, the holder may cross it generally or specially:

(3) Where a cheque is crossed generally, the holder may cross it specially:

(4) Where a cheque is crossed generally or specially, the holder may add the words "not negotiable":

(5) Where a cheque is crossed specially, the bank to which it is crossed may again cross it specially to another bank for collection:

(6) Where an uncrossed cheque, or a cheque crossed generally, is sent to a bank for collection, it may cross it specially to itself:

(7) A crossed cheque may be reopened or uncrossed by the drawer writing between the transverse lines, and initialling the same, the words "pay cash."

**77** A crossing authorized by this Act is a material part of the cheque; it shall not be lawful for any person to obliterate, or, except as authorized by this Act, to add to or alter the crossing.

**78** Where a cheque is crossed specially to more than one bank, except when crossed to another bank as agent for collection, the bank on which it is drawn shall refuse payment thereof:

(2) Where the bank, on which a cheque so crossed is drawn, nevertheless pays the same, or pays a cheque crossed generally otherwise than to a bank, or, if crossed specially, otherwise than to the bank to which it is crossed, or to the bank acting as its agent for collection, it is liable to the true owner of the cheque for any loss he sustains owing to the cheque having been so paid:

Provided that where a cheque is presented for payment which does not at the time of presentment appear to be crossed, or to have had a crossing which has been obliterated, or to have been added to or altered otherwise than as authorized by this Act, the bank paying the cheque in good faith and without negligence shall not be responsible or incur any liability, nor shall the payment be questioned by reason of the cheque having been crossed, or of the crossing having been obliterated or having been added to or altered otherwise than as authorized by this Act, and of payment having been made otherwise than to a bank or to the bank to which the cheque is or was crossed, or to the bank acting as its agent for collection, as the case may be.

**79** Where the bank on which a crossed cheque is drawn, in good faith and without negligence pays it, if crossed generally, to a bank, or, if crossed specially, to the bank to which it is crossed, or to a bank acting as its agent for collection, the bank paying the cheque, and, if the cheque has come into the hands of the payee, the drawer shall respectively be entitled to the same rights and be placed in the same position as if payment of the cheque had been made to the true owner thereof.

**80** Where a person takes a crossed cheque which bears on it the words "not negotiable," he shall not have and shall not be capable of giving a better title to the cheque than that which had the person from whom he took it.

**81** Where a bank, in good faith and without negligence, receives, for a customer, payment of a cheque crossed generally, or specially to itself, and the customer has no title, or a defective title thereto, the bank shall not incur any liability to the true owner of the cheque by reason only of having received such payment.

By section 2, sub-section *c* of the Act the expression "Bank" means an incorporated bank or savings bank carrying on business in Canada.

By section 72 "cheque" is defined as a bill of exchange drawn on a bank, payable on demand.

Therefore the provisions respecting crossed cheques would apply only to cheques drawn on an incorporated bank carrying on business in Canada, and would not apply to cheques drawn on a private banker or a loan or other company not authorized to carry on banking business.

A cheque may be crossed in six ways :

(1) Thus : \_\_\_\_\_

- (2) Thus : 

Bank
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- (3) Thus : 

Not negotiable
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- (4) Thus : 

Bank—not negotiable
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- (5) Thus : Bank of Montreal
- (6) Thus : Bank of Montreal—not negotiable

In every case the crossing must be across the face.

In the first four the crossing is general.

In the fifth and sixth the crossing is special.

In the fifth and sixth, parallel lines are not necessary, though if they be put on, the crossing would still be special.

The difference between a general and a special crossing is, that in the former the bank on which it is drawn must pay it to a bank, but may pay it to any bank; in the latter the cheque must be paid only to the bank named, or to the bank acting as its agent for collection.

The effect of writing "not negotiable" in the crossing is that the person taking the cheque does not acquire, and cannot give, a better title to the cheque than the title of the person from whom he took it.

The crossing in any of the six ways mentioned may be made by the drawer of the cheque. If the drawer issues it uncrossed, the holder may cross it in any of the six ways. If the cheque be crossed generally, *i.e.*, in any of the first four ways, a holder may cross it specially, *i.e.*, in either the fifth or sixth way, and if it do not bear the words "not negotiable" the holder may add those words; but if it be once crossed specially the crossing cannot be altered otherwise than by the addition of the words "not negotiable," except in the following two cases:—

*a* The bank to which it is crossed may again cross it specially for collection.

*b* A crossed cheque may be reopened or uncrossed by the drawer writing between the transverse lines and initialing the same, the words "pay cash."

If a cheque is crossed specially to more than one bank, except when crossed to another bank as agent for collection, the bank on which it is drawn must refuse payment thereof.

The crossing is a material part of the cheque itself, and if it be added to or altered or obliterated the instrument is made void, except as against a party who has himself made, authorized or assented to the alteration, and subsequent endorsers; but if the alteration is not apparent and the cheque is in the hands of a holder in due course, such holder may avail himself of the cheque as if the crossing had not been altered, and may enforce payment of it according to its original tenor (see sec. 63 of the Act); but if the cheque, when presented for payment, does not at that time appear to be crossed, or to have had a crossing which has been obliterated, or to have been added to or altered otherwise than as authorized by the Act, then the bank paying the cheque in good faith and without negligence is not responsible or under any liability, and the payment cannot be questioned merely because the cheque had been crossed, and because payment of it had been made contrary to the terms of the crossing, the same not being apparent at the time of presentment.

A bank cannot cross a cheque specially to itself except it be (a) uncrossed, or (b) crossed generally, and in either case be sent to it for collection. It might be urged that, as holder, the bank could, under sub-secs. 2, 3 and 4 of sec. 76, cross a cheque to itself, but the express authority given under sub-sec. 6 probably involves as a consequence that a bank may not cross a cheque to itself specially unless it has taken it for collection.

The foregoing shows how and by whom cheques may be crossed and the nature of the various kinds of crossing.

The nature and extent of the protection afforded to drawers and owners of crossed cheques, and to the banks collecting and paying them, will be best understood if an every-day transaction be traced through its various probable phases.

Smith keeps his account with the Dominion Bank. He owes Brown \$500, for which he sends him a cheque on the Dominion Bank payable to Brown's order. The cheque is not crossed, and it is lost or stolen, either before Brown receives it,

or after he receives it, and before he endorses it. The finder or thief forges Brown's endorsement. He may succeed in obtaining payment direct from the bank, or he may succeed in transferring it to an innocent holder, who either receives payment direct from the bank, or deposits it for collection in the Traders Bank, of which he is a customer. The Traders Bank collects from the Dominion Bank, and accounts for the proceeds in the usual way. What are the rights of the respective parties, the cheque being uncrossed? Smith could repudiate the payment by the Dominion Bank. His indebtedness to Brown would remain undischarged. Brown could sue Smith for the \$500, or Brown could, if the cheque had become his, sue the Traders Bank or its customer for converting the cheque, and get the \$500 in that way. The Dominion Bank could, under chapter 10 of the Acts of 1897, get back the \$500 from the Traders Bank, and that bank could, under the same Statute, get back the \$500 from its customer. Of course the \$500 would only go round once, *i.e.*, none of the parties would ultimately lose more than \$500, assuming that all were able to pay. The loss would in the end fall on the Traders Bank's customer, and of course he, being the person who first took the cheque under the forged endorsement, is the proper one to bear the loss.

What would be the rights of the respective parties were the cheque crossed?

Neither the forger nor any other individual could obtain payment direct from the Dominion Bank, because, being crossed, payment could only be obtained by a bank, for should the Dominion Bank pay, in contravention of the crossing, it would, under section 78, be liable to Brown, the true owner of the cheque, for any loss he might sustain owing to the cheque having been so paid; a remedy which Brown would not, if the cheque were not crossed, have against the Dominion Bank. Therefore at the outset difficulties are thrown in the forger's way; he might never be able to transfer the cheque to an innocent holder, and, during the time occupied in trying to do so, its payment might be stopped. This of itself is a great advantage to all parties. But suppose he succeeded in transferring the cheque, and suppose it were deposited in the Traders Bank and presented to and paid by the Dominion Bank as mentioned, what would be the effect?

If the cheque had come into the hands of Brown, the payee, then, under section 79, the Dominion Bank and Smith, the drawer, would respectively be entitled to the same rights, and be placed in the same position, as if payment of the cheque had been made to the true owner thereof; and, under section 81, the Traders Bank does not incur any liability to Brown by reason only of having received payment of the cheque to which its customer had no title. The banks must of course act in good faith and without negligence.

The effect therefore is that, as between Smith and Brown, and the Dominion Bank, the payment is good. Smith is relieved from any difficulty or anxiety; his debt to Brown has been paid; his relations with his bank are unruffled, and he is not forced to commence litigation to protect his rights; and because the payment is good as between Smith and Brown the Dominion Bank is also relieved. The Traders Bank being merely a collecting agent for its customer is and should be relieved.

In the case put there can be no question about the advantage to Smith resulting from the crossing of the cheque, and taken in connection with the difficulties thrown in the forger's way, and the case put being by far the most likely to happen in actual practice, a drawer, looking to his own interest only, should not hesitate, except for special reasons, to issue all his cheques crossed. Brown's remedy is now confined to his action against the Traders Bank's customer. This is eminently fair, as, of all the parties, this customer is the one who should bear the loss, and as between Brown and the others, Brown is the only one who should suffer the consequences of the loss or theft of the cheque, it having been in his hands, and the others having no control over its safe keeping. Brown, however, is not without protection, for by adding to the crossing the words "not negotiable," if those words are not already there, he can, for all practical purposes and in 99 cases out of 100, make the loss or theft of the cheque a matter of inconvenience only, not of loss. And in the great bulk of cases there is no practical reason against the addition, by the payee, of these words, "not negotiable."

Therefore not only is it to the advantage of the drawer that his cheques should be crossed, but it is also to the advantage of the holder.

Should the cheque not have come into the hands of the payee, the payment by the Dominion Bank, though good as between it and Smith, would not be good as between Smith and Brown. This is of course only fair, as till the cheque gets into Brown's hands, he has no connection at all with the transaction. I fancy, however, that it very seldom happens that a cheque does not come into the hands of the payee. This expression "come into the hands" does not mean that the cheque must be handled by the payee personally. If it were delivered to his agent it would be sufficient, and if under the circumstances surrounding a transmission by post, the post office were the agent of Brown and not of Smith, the cheque would come into Brown's hands within the meaning of this rule, as soon as the letter containing it is posted.

I have purposely confined the above illustrations to the case of a cheque payable to order. If it were payable to bearer, there could be no question about the advisability of having it crossed.

I call attention to the difference between the expression "In good faith and without negligence," used in the sections under consideration, and the expression "In good faith and in the ordinary course of business" used in the Act of 1897 respecting forged or unauthorized endorsements; the difference is important. Section 89 declares that "A thing is deemed to be done in good faith, where it is in fact done honestly, whether it is done negligently or not." Therefore, if there be good faith, and if the thing be done in the ordinary course of business, the protection of the Act of 1897 will not be lost, even though there be negligence, but under the crossed cheques sections, if there be negligence, the protection is gone, even though there be good faith, and though the transaction be in the ordinary course of business.

The provision allowing a crossed cheque to be reopened or uncrossed, by the drawer writing between the lines "pay cash" and initialling the same, does not appear in the English Act. I fear that it was inserted in our Act without sufficient consideration of the consequences.

I see grave objections to it, and very few advantages. If a cheque so treated should be presented for payment I would recommend the bank in every case to communicate with the drawer before paying. In my opinion this provision should be repealed.

A few references to decided cases may prove useful.

You will remember that under section 81, the Traders Bank, in the case put, would not incur liability to Brown merely because it had received for its customer payment of the cheque. The meaning of the word "customer" in this connection came up in 1896 for consideration in the case of *Lecave & Co. v. Cr dit Lyonnais* (L. R. 1897, 1 Q.B.). In that case one Ponce brought the cheque in question to the defendants' bank for collection. He had no account there, and it did not appear that he had had other transactions with the bank. A prior endorsement had been forged, and Ponce had therefore no title to the cheque. It was crossed generally. The defendants presented it for payment, and received the amount which they duly paid over to Ponce. The defendants were sued by *Lecave & Co.*, the true owners of the cheque, and they relied on the protection of section 82 of the English Act, which is the same as section 81 of ours; and it was contended that "customer" in the meaning of the section, was not confined to a person who kept an account with the bank, but included anyone for whom the bank undertook to transact banking business. The court, however, decided that the word should be given the narrower meaning, and that he is a customer within the meaning of the section "If he is a person who has an account at the bank, at all events if he is a person whose relations are much nearer and closer than those of Ponce in this case."

In the case of *Clarke v. The London & County Bank* a crossed cheque had been received by the defendants, from a customer, for collection. They received the amount, and placed it to the credit of the customer's account, which was overdrawn at the time. An endorsement on the cheque had been forged, and the true owner sought to recover the amount from the defendants, claiming that because the money had not been paid over to the customer, but had been used to cover his over-

draft, the defendants lost the protection of the Statute, but the court held that the protection was not lost. The following vigorous language of the learned Judge is conclusive :

“ If the banker is not to incur liability to the true owner by reason only of having received such payment, what have the defendants done more in this case that is to make them liable? . . . . If putting the money to the customer's account is not to make the bankers liable when the customer is in funds, it cannot make them liable when the customer happens not to be in funds.”

This subject is well worthy of attention by the Association, with a view to making the advantages of crossed cheques known to the commercial community, and thereby bringing about their adoption generally in Canada. The Statute has been in force now for eight years, and very few merchants know of it. Those who do know do not understand it. If the banks act, the knowledge will soon become wide-spread. If the banks do not act, no one else will.

Toronto, Oct. 26, 1898

Z. A. LASH

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NOTES ON DECIDED CASES

1828—*Stewart v. Lee*, 1 M. & M. 158.

*Semble*—The custom of writing the name of a banker across a cheque is only for the purpose of securing that the payment shall be made to some banker, not to the banker originally named, for the holder may substitute another for him, and this even when the name of the particular banker is originally written not by himself, but by the drawer.

*Held*, that a special crossing had not the effect of affecting the banker whose name was written across it and into whose bank it was paid with knowledge that the sum mentioned in it was the money of the payee. C. drew a cheque payable to A. and B., assignees of P., crossed specially with the name of their bankers, with whom they had an account as assignees; B., who had a private account with the same bankers, paid in the cheque to that account; the Court held that bankers were justified in applying it to that account because, according to the usage of bankers, the crossing with the payees' banker's name was no notice that the money was the money of the payees.

1842—*Alexander v. Burchfield*, 7 M. & G. at 1067.

Delay in presentment owing to crossing is excusable. See also *Stringfield v. Lanazzari*, *post*.

*Wright v. Guild*, 30 Scot. L. R. 785.

Person who cashed cheque held to be agent, not of payee, but of holder.

*Carlton v. Ireland*, 5 E. & B. 765, is also authority for the proposition that crossing a cheque payable to bearer, whether made by the drawer or the bearer, does not affect its negotiability.

1876—*Bobbett v. Pinkett*, L. R., 1 Ex. Div. 368.

The plaintiff drew a cheque on his bankers M. & Co., payable to the order of one Pennach and crossed "L. C. Bank." He sent it to Pennach for value, from whom it was stolen and his endorsement was forged. It finally found its way into the hands of the defendant, who took it in ignorance of the forgery. The defendant's bankers through their London agents the L. & J. Bank presented it to M. & Co., and received payment notwithstanding the crossing. The defendant thereupon gave value to the person from whom he acquired it. Meantime the plaintiff had sent the payee another cheque at his request and it had been duly paid by M. & Co. His account being debited with both cheques, he thereupon sued defendant for money had and received. Notwithstanding the jury's finding that every one excepting the defendant had been guilty of negligence, it was held that the first cheque having been paid without authority by M. & Co., the plaintiff could maintain an action against the defendants who acquired no title thereto.

1884—*Bissell v. Fox Bros. & Co.*, 51 L. T. N. S. 663.

S., an agent, received certain cheques payable to the order of his principal, and, without authority, endorsed them *per proc.* and deposited them with his own bankers, the defendants, who immediately treated them as cash and placed the amount to his credit without enquiring as to the sufficiency of the authority. Six of the cheques were drawn on other bankers than the defendants, three of them being crossed generally and three uncrossed. Defendants crossed them specially with the name of their London agents. The remaining cheque was drawn on the defendants and was not crossed. S. absconded and this action was brought for conversion.

It was urged by the defendants that section 82 protected them, but it was held that as to the cheques uncrossed when received it did not apply, as the section contemplates a banker receiving payment of a cheque already crossed and not an uncrossed one afterwards crossed by himself.

As to the others it was held that the payment was not received for a customer only "because having treated the cheque as cash the payment was really received for themselves," and that as to all six the negligence of the defendants in failing to enquire into S.'s authority deprived them of the benefit of the Statute.

On the question of crossing *Denman J.* said, "I think the act was intended to protect bankers only in cases in which they had merely received payment of a crossed cheque for a customer, but not that it was intended to cover the case of a banker making himself the endorsee of a cheque, especially of a cheque endorsed by his own customer with notice of that customer's limited authority, so as to dispense with the necessity of an enquiry into such a case."

The case was affirmed on appeal with a variation as to the single cheque, but the Judges chose to rest their decision on the question of negligence, not dealing with the effect of sec. 81. See 53 L. T. N. S., 193.

1887—*Stringfield v. Lanazzari*, 16 L. T. N. S. 361.

A cheque crossed generally was given in payment of an account. It was deposited with the payee's bankers at once, but they did not present it for some time and during the interval funds which would have been applied in its payment were exhausted by other cheques.

In an action brought upon the cheque the defence was set up that it had not been presented within a reasonable time, but the Court held that having complied with the crossing in depositing it for collection in a bank the payee had done all in his power and was not responsible for the consequences of any subsequent delay.

1891—*National Bank v. Silke*, L. R. (1891) 1 Q. B. 435.

Here the defendant drew a cheque payable to the order of M., and crossed it "account of M., National Bank." He gave it to M., who endorsed it to the National Bank, the plaintiffs. The latter placed it to M's credit and forwarded it for collection, but payment had been stopped on the ground that the cheque had been obtained by false pretences. The plaintiffs then, upon M. refusing to make good the amount, sued the defendants, who contended that the crossing had rendered the bill non-negotiable and that the plaintiffs took subject to all equities.

It was held, however, and affirmed on appeal that the negotiability of the cheque had not been affected and that the words of the crossing "Account of M.," merely amounted to a direction to the plaintiffs to carry the proceeds of the cheque to the credit of M.'s account when received.

1894, April 4th—*Matthews v. Brown & Co.*, 63 L.J., Q.B., N.S. 494.

The Queen's Bench Division affirmed the decision of the Court below, which held that bankers who collect cheques for absolute strangers cannot claim the protection afforded by section 82 of the English Act, which is similar to section 81 of ours. It is there said that to hold otherwise would be to "strip crossed cheques of every vestige of security which presumably attends them, and that a thief would find in every bank he passed a safe and certain and even authorized channel for realizing the spoils of his crime." Also that the word "customer" and the sense in which it is used involves something of use and habit.

This was also followed in *Lecave & Co. v. Credit Lyonnais* (1897), 1 Q.B. 148—referred to ante—and in *Kleinwort Sons & Co. v. Comptoir National D'Escompte de Paris* (1894), 2 Q.B. 157.

10

## APPLICATIONS TO BANKS FOR LINES OF CREDIT

BRING THE ESSAY IN COMPETITION I TO WHICH THE FIRST PRIZE WAS  
AWARDED

1. Stern Bros. & Co., wholesale manufacturers of boots and shoes, Montreal, apply to the Canada Bank for a credit of \$25,000 to \$30,000 by way of unsecured loans, and \$80,000 on trade paper. They furnish the following balance sheet, dated the 1st September, 1897:

ASSETS	LIABILITIES
Real estate, with factory, plant and machinery.....	Bills payable.....
\$72,379 82	Due to Commercial Bank.....
Open accounts.....	10,000 00
49,637 64	Accounts payable.....
Bills receivable .....	42,739 12
7,594 32	Mortgage on factory.....
Merchandise manufactured and in process .....	35,000 00
92,633 40	Surplus .....
Patents for making the Stern shoe .....	103,746 48
8,000 00	
Cash in bank.....	
1,732 02	
\$231,977 20	\$231,977 20

The firm have under discount with their bankers \$78,263 of their customers' paper, of the average quality of that furnished by retail boot and shoe dealers. They state that their sales for the year were \$247,000, of which \$43,000 were for cash, and they claim to have made a little progress during the year, notwithstanding the unfavourable business conditions which prevailed. Their terms to the trade are "four months, 1st April and 1st October."

Their account has hitherto been kept at the Commercial Bank, and they assign no other reason for wishing to change than a personal preference for the manager of the Canada Bank.

State comprehensively your impressions of the application from the information thus afforded.

**I**N order to obtain a clearer impression of the position of Stern Bros. & Co., the statement submitted should be prepared so as to show at once the total of the liquid assets as against the floating liabilities—these being the figures upon which a bank credit should mainly be based—and also be subjected to abstract and the figures brought to such a level as general experience may have proved to be necessary in order to show as nearly as possible the actual position of the firm, having in view any contingency liable to arise. It is assumed that the standing of the firm, as regards character, etc., is an average one, and that their statement is as reliable as those of other firms of average standing.

Prepared so as to show liquid assets and floating liabilities at a glance the statement is as follows :

ASSETS		LIABILITIES	
Open accounts.....	\$49,637.64	Bills payable.....	\$40,491.60
Bills receivable.....	7,594.32	Due Commercial Bank..	10,000.00
Cash.....	1,732.02	Accounts payable.....	42,739.12
Merchandise.....	92,633.40		
		Total floating liabilities	\$93,230.72
Total liquid assets....	\$151,597.38	Mortgage.....	35,000.00
Real estate, plant and machinery.....	72,379.82	Surplus.....	103,746.48
Patents.....	8,000.00		
	<u>\$231,977.20</u>		<u>\$231,977.20</u>

In undertaking the abstracting of this statement, the first two items to consider are open accounts and bills receivable. These accounts being of average retail boot and shoe dealers' quality, and containing as they almost certainly do, a number of doubtful and possibly bad debts, may reasonably be reduced 25%. The paper on hand is probably not that of the firm's best customers, and may likewise be reduced 25%.

This is not at all a too severe reduction, as the average quality of retail boot and shoe accounts is not high, and it seems evident that the firm's customers are largely slow pay, otherwise there would not be so much as \$135,494.96—(open accounts \$49,637.64, bills receivable \$7,594.32, trade paper under discount at the Commercial Bank \$78,263)—owing them at a season of the year when such owings, even allowing for reasonable renewals, etc., should be much smaller, as the April accounts at least should have reduced themselves largely by the end of August, and the aggregate time sales for the year were but \$204,000.

The item of merchandise must be subjected to a somewhat heavy reduction, because it is only too well known by bankers who have had any experience with Montreal wholesale boot and shoe firm accounts, that, whatever the reason, in case of an assignment, or other contingency, rendering a forced sale necessary, the important item of merchandise shrinks lamentably on realization. The item must embrace a large quantity of goods in process of manufacture, rightly taken into the statement at cost, but which realize at forced sale often not one-quarter of

their cost, and also no doubt much old and practically unsalable stock, and a reduction on the whole item of 40 per cent. would not be too great.

Without a separation of the item real estate from the plant and machinery, and a definite knowledge of its location, it is difficult to determine its approximate value. Probably it is held at about \$60,000, but it is heavily encumbered, and in the event of the firm getting into difficulties, there is the possibility of the equity vanishing under a forced sale, and of nothing resulting for the ordinary creditors from the asset. On the other hand, if its location is good, and the buildings first-class, it might find ready sale as a bargain at say \$40,000 to \$45,000, and therefore if the item as a whole—as plant and machinery very seldom bring much—be put in the abstract at say \$45,000, it would probably be a reasonable view, and do the firm full justice.

The patents, while no doubt useful for Stern Bros. & Co., and possessing, it may be, to them the value set upon them in the statement, might be of little value to others, and would not in all probability realize much if sold, and \$1,000 would be quite sufficient to place against them.

Basing the figures of the abstract upon the foregoing reductions the firm's position shows as follows :

ASSETS		LIABILITIES	
Open accounts & B. R. less 25%.....	\$42,921.97	Bills & Accounts payable.	\$83,230.72
Merchandise, less 40%..	55,580.04	Due Commercial Bank..	10,000.00
Cash .....	1,732.02		
		Total floating liabilities	\$93,230.72
Total liquid assets ....	100,234.03	Mortgage .....	35,000.00
Real estate, plant and machinery .....	45,000.00	Surplus.....	18,003.31
Patents .....	1,000.00		
	\$146,234.03		\$146,234.03

The liquid assets under a not too severe abstract are therefore but \$7,003.31 in excess of the floating liabilities, and the surplus is reduced from \$103,746.48 to \$18,003.31.

The abstract shows also that a reasonable reduction in the liquid assets brings them down so that they only exceed by a little over 20% the large floating liabilities to parties outside the bank.

The statement therefore does not look attractive under abstract, and the firm's application to the Canada Bank is probably brought about by the refusal of the Commercial Bank to increase the direct line of credit for the coming year, and possibly by their pressing for liquidation of all direct advances carried by them, which they no doubt consider should have been cleared off prior to the commencement of the new season's business. The firm's bills and accounts payable to outsiders are about 55% of the claimed liquid assets, and the working of the account may have revealed many points tending to show that these liabilities are much too heavy for the condition of the business. The bank may have found the account steadily assuming less satisfactory shape, and may have decided to curtail, and if possible, cut off, or make strictly temporary, all direct accommodation, and also, having in mind the direct loan they are carrying, may for some time past have been more particular in regard to the quality, amount of individual risks, renewals, &c., &c., of the trade paper accepted for discount, in order to minimize the risk in it.

Without actual knowledge of the trade paper, its distribution, legitimacy, &c., it is impossible to arrive at a definite conclusion regarding it, but it is safe to affirm that, even if carefully handled in regard to collection, extensions, &c., it would not result better than paper of its class usually does, if 90 % of the total took care of itself in the event of Stern Bros.' failure, and the risk in this possible shortage is quite large.

The firm no doubt feel the necessity for additional accommodation, and after probably several ineffectual attempts to induce the Commercial Bank to give them more direct money, and being convinced of the futility of further efforts there, they decide to apply to the Canada Bank for the money they require in order to transact the desired volume of business, and in doing so advance as a reason for this important change, a personal preference for the manager of that institution. This expressed reason for wishing to change bankers is not a good one, and, in the absence of more particulars, awakens a feeling of caution of which it is impossible to free the mind when considering the firm's position.

The floating liabilities of the firm outside their bankers are

large; the real estate is rendered practically useless so far as a bank credit is concerned, owing to the heavy encumbrance of \$35,000; the statement abstracted leads to the conclusion that the \$10,000 due to the Commercial Bank, which may have become quite stagnant, is none too well protected, and seems to prove quite clearly that such a large amount of direct accommodation as is asked for—\$25,000 to \$30,000—would only be safe if surrounded by good independent collateral security, and that the risk involved in discounting \$80,000 of retail boot and shoe paper would be sufficient for any bank to safely assume with the firm.

As will be gathered from the foregoing, my impression of the application is not favorable, and I should decline the account.

2. John Scott & Co., wholesale hats and caps, Ottawa, a firm of several years' standing, have been customers of the Canada Bank for one year. At the time of the transfer of their account they submitted the following balance sheet, dated 30th April, 1897 :

ASSETS		LIABILITIES	
Merchandise .....	\$69,071 53	Accounts payable.....	\$21,609 52
Fixtures .....	1,762 40	Bills payable.....	27,920 35
Accounts and bills receivable.....	19,762 68	Surplus .....	55,535 87
Cash .....	469 13	(Customers' paper under dis-	
Real estate.....	14,000 00	count, \$42,740)	
(Warehouse \$20,000, mortgaged		Annual sales stated at \$150,000	
for \$9,000; block of stores in			
Almonte, \$8,500, mortgaged for			
\$5,500)			
	<u>\$105,065 74</u>		<u>\$105,065 74</u>

Upon the strength of this they were accorded a credit of \$50,000 on trade paper. The course of the account during the year, taking the figures at the end of each month, was as follows :

	Over-	Trade		Over-	Trade
	draft	Bills		draft	Bills
May, '97 .....		\$45,410	November, '97 .....		\$45,260
June .....		44,960	December .....		43,780
July .....		44,200	January, '98 .....		43,770
August .....	\$4,647	42,740	February .....	\$4,461	42,490
September .....	1,276	40,820	March .....	1,620	40,810
October .....		46,510	April .....		44,940

the overdrafts in August and February being required owing to the fact that their bills payable were as usual heavier in those two months than at other times in the year.

They now apply for a renewal of their credit, and furnish the following statement of their affairs, dated 30th April, 1898.

ASSETS		LIABILITIES	
Merchandise.....	\$71,621 41	Bills and accounts payable .....	\$50,610 54
Fixtures .....	1,912 52	Surplus .....	56,127 34
Accounts and bills receivable.....	18,489 66	(Customers' paper under dis-	
Cash .....	714 29	count, \$44,940)	
Real estate, less mortgages.....	14,000 00		
	<u>\$106,737 88</u>		<u>\$106,737 88</u>

Their sales during the year are stated at \$148,000. The larger part of the sales consists of spring and fall goods, dating from 1st April and 1st October. Terms to the trade, four months.

Explain fully your views as to the various points involved, and show in what manner you would deal with the application, including among other things any discussions you might have with the customers and your head office. State what your judgment on the application is, and the reasons for it.

In considering a renewal of John Scott & Co.'s credit it is necessary to compare the new statement furnished with that of the previous year, in order to ascertain as closely as possible the result of the year's business.

This comparison shows as follows :

ASSETS	April 30, '98	April 30, '97	
Cash bills rec. & accounts..	\$19,203.95	\$20,231.81	—\$1,027.86 decrease
Merchandise .....	71,621.41	69,071.53	2,549.88 increase
<b>Total liquid assets....</b>	<b>\$90,825.36</b>	<b>\$89,303.34</b>	<b>—\$1,522.02 net increase</b>
			<b>in L. A.</b>
Fixtures .....	\$ 1,912.52	\$ 1,762.40	—150.12 increase
Real estate, m'tg'g'd \$14,500	28,500.00	28,500.00	
<b>Total assets .....</b>	<b>\$121,237.88</b>	<b>\$119,565.74</b>	<b>—\$1,672.14 net increase</b>
			<b>total assets.</b>
LIABILITIES			
Bills & Accounts payable...	\$50,610.54	\$49,529.87	—\$1,080.67 increase in
<b>Total floating liabilities....</b>	<b>\$50,610.54</b>	<b>\$49,529.87</b>	<b>floating liabilities</b>
Mortgage debts.....	\$14,500.00	14,500.00	
<b>Total liabilities .....</b>	<b>\$65,110.54</b>	<b>\$64,029.87</b>	<b>—\$1,080.67 increase in</b>
			<b>total liabilities</b>
Surplus .....	\$56,127.34	\$55,535.87	
	<b>\$121,237.88</b>	<b>\$119,565.74</b>	
Increase in liquid assets....			\$1,522.02
Do. floating liabilities .....			1,080.67
Do. liquid surplus .....			441.35
Do. fixed assets.....			150.12
Do. total surplus.....			\$591.47
Trade paper under discount 30th April, 1897, \$42,740; 1898, \$44,940.			

The firm's position while seemingly somewhat improved, is really not quite so good, for banking purposes, as in 1897, owing to the fact that the floating liabilities are increased by \$1,080.67, and the proportion of floating liabilities to liquid assets is 55.72% as against 55.46% for 1897, while the trade paper under discount is increased by \$2,200. On a turnover of

\$148,000 the firm should have done better, and their not having done so must mean the realization of extremely small profits, or very heavy losses by bad debts.

If, however, the statement of 1897 was strong enough to base a trade paper credit of \$50,000 upon, there is not change serious enough in that of 1898 to prevent a renewal of such a credit.

It is when the course of the account for the year is studied that the renewal of the credit becomes a matter for more serious consideration, because, although particulars of the working of the account are missing, and actual experience might change slightly the view, in this respect the account certainly appears to possess very unfavorable features. It is difficult to understand how the firm could have with their new bankers at the end of May so much as \$45,410 under discount, unless a large portion of the \$42,740 shown to be under discount with their former bankers on April 30th, 1897, was retired before maturity and re-discounted at the Canada Bank.

The firm's sales largely date four months from April and October 1st, and it would naturally be supposed that much of the \$42,740 referred to contained bills maturing August 4th, and that the whole amount would be retired gradually until at the end of, say four months from the time of the acquisition of the account, it would all have been taken care of. During this time the amount under discount with the Canada Bank would in the ordinary course have made gradual growth.

Assuming, however, in the absence of definite information that the paper was taken over with the account, there is an absence throughout the year of those desirable fluctuations, indicative of a healthy business, which are looked for by a banker, especially in trade paper. It would have been infinitely better had the figures for, say August and February, fallen to \$20,000 or \$30,000, and in October and April have reached \$55,000, than to remain as they did. The overdrafts seem to indicate clearly that the firm had themselves to look after much of their customers' paper at maturity.

It is stated that the overdrafts were required owing to the fact that their bills payable were heavier, as usual in August and February, than at other times in the year; but even if this

be true, the bare course of the account leads to the impression that much of their customers' paper had been charged to them either upon or about the dates it would in most volume mature—August and February 4th—and that this, coming upon them at a time when several of their own bills were payable, would cause them to ask for, or almost force, an overdraft until they could offer new trade paper to cover.

These overdrafts, during probably more than a third of the whole year, are the most objectionable feature of the account. The figures may have been, and most probably were, considerably higher than those shown at the end of the months, and seem to indicate the firm's inability to provide satisfactory trade paper to cover their requirements.

At the end of August and February the trade paper under discount is more than \$7,000 below the credit authorized, and had they been able to offer this amount for discount, no doubt they would have done so, as they were probably urged to keep the account covered in this way. That they could not make this necessary provision is against them.

Judging from the information given, the business does not appear to be any too attractive, and the former bankers of the firm possibly allowed the account to go without much regret. The paper discounted, while it may be fairly distributed and of moderately good quality, probably does not look after itself very well, and the firm seem to be doing more business than their available surplus warrants, and consequently have to expose their position by asking for large overdrafts to help them through. Of course the actual working of the account may have demonstrated favorable features not evidenced by the statement and course of the account, but even making an allowance for this, the account should not be continued for another year on the lines permitted during the past year.

It is, however, probably a rather profitable account, and as the position of the firm appears to be such as to make them under any reasonably conceivable contingency good for any ordinary liability likely to arise out of a trade paper line such as they enjoyed the past year, there would probably be no error of judgment in continuing it for another year upon the understanding that no overdraft would be permitted. In discussing

the matter with the firm it would not be necessary to do more than to express some disappointment at the poor result of the year's business, and to point out to them that when the account was accepted there was no mention of a direct credit such as they had had by way of overdraft during the year, that none was authorized by head office, and that during the coming year it would be necessary for them to confine themselves strictly to the line of trade paper, and head office would be written to as follows :

“ The General Manager,  
“ Montreal

“ Dear Sir : *John Scott & Co.*

“ This firm have applied for a renewal of their credit of \$50,000 on trade paper for the ensuing year, and in this connection we beg to enclose a statement of their affairs as at 30th April last.

“ For purpose of easy comparison we have placed the figures for the previous year in an outer column. (This would accompany the letter on separate sheet).

“ The statement is somewhat disappointing to us owing to the fact that, while there is a small addition of \$591.47 to the surplus, there is also an increase of \$1,080.67 in the liabilities, and a slight increase in the proportion of floating liabilities to liquid assets. The trade paper under discount shows an increase of \$2,200, being \$44,940, as against \$42,740.

“ The firm give their turnover for the year as \$148,000, but profits were small and losses by bad debts were, it is claimed, unusually heavy. They, however, confidently anticipate a better season this year, owing to the general improvement in business.

“ The following shows the course of the account during the year, taking the figures at the end of each month. (Here would follow the course of the account.)

“ It will be seen that the fluctuations in the paper were not pronounced, and that the firm found it necessary to overdraw their current account considerably at times. Taken as a whole, we must admit that we have found the account less satisfactory than our anticipations of a year ago led us to believe it would be, yet at the same time it has been profitable, and we think it safe.

“ We have spoken to the firm in regard to the overdraft, and have called their attention to the fact that when we took up the account a year ago a direct credit was not considered nor authorized by you. We, however, feel satisfied that the account

could safely be continued on further trial for another year, upon the strict understanding that the firm confine themselves to the line authorized, and we beg therefore to recommend a renewal of the credit of \$50,000 on trade paper.

"We shall, of course, be careful to see that the paper discounted is well distributed, and as far as possible that it represents strictly goods sold.

"If, however, we do not find the account work quite satisfactorily during the year, we shall be willing to allow the firm to go elsewhere."

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R. W. CROMPTON

DOES BANKING IN CANADA OFFER AS SATIS-  
FACTORY A CAREER TO A YOUNG MAN AS  
OTHER FORMS OF BUSINESS OR PROFES-  
SIONAL LIFE?

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BEING THE ESSAY IN COMPETITION II TO WHICH THE FIRST PRIZE WAS  
AWARDED

THE most serious problem confronting a young man who is just entering upon the responsibilities of life is, undoubtedly, the choice of a means of livelihood ; the careful consideration of the different forms of business or professional life, in order to determine which seems likely to afford the most satisfactory career in every respect. There are certainly a large number from which to make a choice ; the learned professions, science, art, journalism, and mercantile life in its various branches, which all seem at first equally desirable, and the very width of the prospect is in itself bewildering. On the one hand, the young man hears of those who have made a brilliant success of life as doctors, lawyers, artists, scientists, or journalists ; men who have started with only their brains and education as capital, and have now become the heads of their profession. On the other hand, he hears of wealthy business men—“ merchant princes ”— who have hewn out the path to opulence by their own exertions. Others are the salaried heads of great corporations, with incomes beside which the remuneration of a cabinet minister seems small in comparison. It is indeed a very hard to decide which step to take, and the decision is a very momentous one.

It may be that the aspirant for honors in life is one of those lucky individuals like the Duke of Wellington, of whom it has been said that “ if he had not been one of the greatest generals of the world, he would have certainly been one of the greatest merchants ; ” but such cases of diversity of talent are

rare, and it behooves everyone to select that profession for his life work, which he thinks he is suited for, and which seems to offer the best chances for those of average ability.

In determining what occupation offers a satisfactory career, several considerations have to be taken into account, the principal of which are—the cost of preparation and the time occupied in fitting oneself, the remuneration to be obtained by the average man, the confining tendency or not of the occupation, the prospects of future advancement in wealth or position, and lastly the social status. All these have to be calculated upon in order to arrive at a decision.

Not a few men have a distinct aptitude for some special work, and in such cases should always follow their natural inclinations, but for the majority, the time for choice means the first favorable opportunity for starting work, either by attendance at college for the purpose of professional education, or by launching at once into the world of business. Men starting active life under such conditions are far more favourably situated than is the genius who is forced to labour out of his sphere, and are more likely to succeed, because, having no previous fancy for any particular kind of work, they are the more likely to concentrate themselves on the line of action to which they may happen to be set, and will so succeed better. Concentration on one's occupation cannot be too strongly insisted upon, as in a great many cases it is the key to success, the "open sesame" to the world's riches, either of honor or wealth. Many boys who have been considered stupid at school have astonished their former teachers and companions by their triumphant career in life, through hard work and diligent attention to whatever they were engaged at.

The problem "what to do with our sons" is becoming an important one in Canada, as well as in other countries, and it becomes more serious each decade. Everything that seems to offer any advantages, even that which only offers a mere living, is eagerly taken up, and this course has led to the overcrowding of the professions, excessive competition in business, and many kindred evils. Of course these in the long run prove a cure to themselves, but during this slow process, those who are dependent on the different professions have to suffer the penalty.

Among other occupations, that of a salaried officer of a corporation offers advantages which are decidedly worthy of more than a passing consideration, more especially when that corporation is one of our Canadian banks, and these advantages will stand all the tests for a successful career as laid down in the beginning of this article. The young man who is lucky enough to obtain an appointment on the staff of a chartered bank, has his feet on the lower round of a ladder, by means of which it is possible for him to equal, if not to overtop, his contemporaries who start in life with him.

The following extract from a recent English writer on the subject, gives a good idea of the possibilities of the field:—"The life of a bank clerk is devoid of that 'halo of romance' which so often attracts ambitious youths to the army and navy. It is generally uneventful, and the opportunities for great distinction are few; but for a lad who has good abilities without being brilliant, and who is willing to work chiefly with his head, it offers a fair field and a chance of early competence."

Banking in Canada offers a good chance of success to an ambitious man who is determined to get on, and has the necessary qualities. Our country is a young one, possessed of boundless resources, which are as yet almost untouched, with room for a population more than ten times what it now has, and a certainty of steady increase at least, and so as yet, is in what one might call her commercial childhood. In the growth of the country's commerce, and in its development generally, the banks play an important, if not an indispensable, part, by the circulation of money, facilitating the operations of trade, and by furnishing credit to those needing and deserving it. With this growth of the country's trade, the banks are bound to prosper accordingly, and in the prosperity of the bank is the prosperity and the surety of a comfortable future of every employee on its staff.

We propose to contrast here the profession of banking in Canada with other occupations, on the basis mentioned before, of cost of preparation and time occupied in fitting oneself for remunerative work, income, confining tendency, future prospects held out, and social position to be gained.

In regard to the cost and time spent in preparation, we ven-

ture to say that the advantages are all on the side of banking, and may here quote in support of this, the words of an eminent Canadian banker, whose success in his chosen profession entitles him to speak with authority:—"Young men who enter a banking office, and are intending to make banking their profession, have a considerable advantage over young men who enter other professional pursuits. In these, a long course of education, both general and technical, has to be submitted to, which rarely comes to an end until parties attain the age of twenty-three or twenty-five years. During the whole of this time they are earning nothing, but are a constant source of expense to parents, guardians, or friends. Moreover it is well known that even after this a young man seldom earns any remunerative income for several years, and may continue even beyond the age of thirty, still dependent upon parents or friends for the income necessary to support him.

"On the other hand, a young man entering a banking office, say at seventeen years of age, is placed on a salary almost immediately, and his salary, after the first twelve months, is invariably such as will meet his board expenses, and other expenses too, if he lives carefully and economically. Moreover the salaries of young men go on constantly increasing at the very time they are learning by practice and study, what is equivalent to the professions previously named.

"The student of these professions gets nothing. The bank student, if we may call him so, has a constantly increasing salary to which he can look forward with confidence, at any rate until he arrives at the same age when other students begin to earn their very first dollar."

This very aptly describes the position of the young bank clerk, as compared with the young professional man, during his course of preparation, for that is in reality all that the first few years in a banking office are, as a clerk always requires looking after and teaching during that period. But he compares most favorably, also, with one who starts work in a wholesale or retail business. In these cases the young man has to serve for years in a subordinate position, with no greater salary than falls to the lot of a bank clerk, if indeed it is as much, and with disadvantages to labor under in the way of future prospects, as will

be mentioned later on. Of course he too is paid for his work while learning it, but these drawbacks make his position less desirable.

We now come to a consideration of that part of the subject which is of most importance to the average man, the income to be derived from his service. With regard to this, banking can offer very satisfactory results. Clerks in a bank have a distinct advantage over other clerks in the matter of salaries. A bank being in the position of a custodian of its customers' wealth, and responsible for its proper care and use, is compelled to select for its service, only those on whom it can implicitly rely. While it could most certainly obtain persons who would perform most of the clerical work for a very small salary, still the fact that it is paying not for the work only, but also for its clerk's uprightness of character and discretion, which are equally important with his capacity for getting through a certain amount of work, compels a larger remuneration, and a well managed bank never hesitates to pay for the qualifications it requires. "While a clerk retains these essentials, he is not likely to find the bank employing him unwilling to recognize even these modest merits."

The brilliant man who takes banking as his profession (one who is endowed by nature with great business capacity or administrative powers), has plenty of scope for the display of his abilities in the various departments of bank work; and among the large number of men employed as clerks, is sure to be found eventually in a position suited to his talents. Such a position carries with it an income very much larger than falls to the lot of all but a very few in business or professional life. Of course it is understood that in the majority of cases this ability is lacking, and in such a case a man will do well to be content in the humbler position that nature has shaped him for. The ability of each clerk in the service is always under consideration by his superiors and his value usually known to a fraction, so that none who are conscious of possessing talents, and using them faithfully in the interests of their bank, need fear being passed over without recognition in the shape of increased salary.

In a little book called "The Country Banker," the subject is spoken of in this way: "A bank cannot give large salaries

"to all its officers; but if its highest offices are open to everyone, in its employment who shall prove his fitness for the same, there will be no apathy on its staff. It will be the object of every one to devote his best abilities to the practice and study of his profession, and thus an able, zealous and loyal staff will be developed."

The several posts in a bank differ so widely in regard to the efficiency required, and the salaries paid for them also necessarily differ so much, that no hard and fast rule can be laid down; but the mediocre man, say of thirty-five, is sure of getting from one to two thousand, in most Canadian banks, and the brilliant man from two to four thousand, and in case of general managers, from ten to twenty-five thousand. Few occupations can show results like these, and the bank salary has the additional advantage of being sure, and of giving promise of increase with every increase of efficiency.

A young man in a wholesale or retail business is on much the same footing as a bank clerk with regard to salary for the first few years, but there the resemblance ends. The scope for a display of talent is decidedly more limited, and beside this a business man can only afford to pay a certain sum to his subordinates, no matter how brilliant they may be. Beyond a certain point the salary cannot be advanced, and complaining is useless. The market price of mercantile clerks is well known, and the competition for vacant places is keen. When a man has reached that point beyond which he can expect no further increase, only two courses are open to him. He must either remain contented with a lot he is powerless to better, or if he is in a position to command any capital he can start in business for himself. Let us see what difficulties he has to face. Business life, or at least part of it, in which wholesale and retail trade are comprised, is by no means always a bed of roses. Although the names of the few millionaires are well known to every one, and should be an example and encouragement for an ambitious man, still the unnumbered multitude who have failed to weather the storms of business adversity fail to attract any notice, and are seldom taken into account by a man when calculating his own chances. One has only to refer to Dun's or Bradstreet's reports, and note the long list of failures, writs issued,

bills of sale, mortgages, and all the other disasters which befall the unfortunate business man, to realize that the ways of trade are rough, and strewn with wrecks. Of course it is undoubtedly a fact that some have made a conspicuous success in the very place that others have failed in, still they are few in number compared with those who can extract nothing more than a bare living from their business, in spite of all their exertions. Others are always in monetary difficulties, and the mind of such a one is continually harassed with care and worry over the impossibility of making a payment of one hundred dollars out of ninety-nine dollars on hand. Should the advice of this man be asked about the advisability of entering business, his answer would be an emphatic "no."

Some branches of retail trade are better than others, but modern methods of doing business on a large scale have left very little profit in it for a small merchant. The competition of departmental stores in the large cities is very severely felt all over the country, and has resulted in a decided loss of business for the smaller towns, and no effective means of fighting them has yet been devised.

If business life does not seem to hold out very great hopes of early competence, still less can be said for professional life. In law and medicine it is always expected and understood that at least two or three years, and oftener much more, must be spent in "working up a practice," a term which practically means sitting down in idleness to wait for tardy clients or patients, while living at the expense of one's parents or friends. Even when a practice has been developed, the results are usually small for some years, while a man is acquiring prominence. Some few, principally specialists, get to be well known for their skill, and such can command large rewards for their services; but the majority continue on until middle life in the enjoyment only of modest incomes. Few professional men are born great, and few achieve greatness, and fewer still, in this nineteenth century, have it thrust upon them.

The next point to come under consideration is whether the occupation has more than usually confining tendencies or not. In this respect the advantages of banking life are almost too well known to be mentioned at all. A bank clerk, in most towns

and cities, commences his work at nine o'clock in the morning, and is usually out and away by four. In contrast to this, the hours spent in labour by the commercial clerk—from seven until six, and sometimes longer—seem very long indeed. Of course a bank clerk is more or less closely tied to his desk during his hours of work, and in the case of ledger-keepers and tellers, in a large city branch, have very few moments they can call their own, even for lunch purposes in the middle of the day; still, when their work is over, they have left a couple of hours for recreation or exercise in the afternoon, an almost priceless boon to those of sedentary occupations. Moreover the bank clerk has his evenings to himself, and can spend them either in social amusements or in self improvement, whichever he feels inclined for.

On the other hand, to be a successful lawyer, one must spend every spare moment, during at least the early portion of one's career, in mastering the multitudinous details of the profession, and in preparing cases for successful pleading. The medical man, also, has really no time which he can call his own, winter and summer, rain or shine, night or day; someone has need of his services, and the call must always be promptly obeyed, or his practice will surely desert him. The merchant or manufacturer must stick closely to business in order to overlook his affairs, or his affairs will soon cause him a great deal of worry. All these are tied closer than the bank clerk, by their own self interest, and if they would be successful, must know little rest. With the bank clerk, however, the work which counts for his advancement or otherwise, is during short hours, say from nine to four, and after that his mind can be absolutely free from all the worries and annoyances incident to office life.

All these points, however, are in reality of minor importance, compared with the great question of the future prospects held out by one's chosen profession. A man is almost always willing to work hard for years, for a comparatively small remuneration, provided he can see ahead a certain prospect of success. But it is the impossibility of seeing into the future which is the drawback to almost every occupation a man can enter into. Does he go into one of the learned professions, there is no certainty that he will have enough practice even to gain his daily

bread, and unless he is decidedly above mediocrity he certainly will never be able to obtain more than a moderate income. Only the specially able and brilliant ones earn anything beyond this, and whether a man is specially able and brilliant cannot well be determined by himself, but must be left to the test of actual work. If a man enters business for himself, it is impossible to foretell whether he will succeed or not, and the chances are not all in his favour by any means. It has been estimated that fully fifty per cent. of those in business encounter misfortune sooner or later, and this is no doubt true. If literature or art are chosen, then here again are occupations the prizes in which are only to the few. This is especially the case in a young country like Canada, and of those following these pursuits in this country, the majority hardly make a living. In science, there is no future in Canada to even a fairly clever man. If he should become well enough known to be called to a chair in one of our colleges, he gets a medium salary, with no prospect of increase, and no hope of bettering his worldly position.

Beside all these, the banking profession can offer at least equal inducements. The maxim that "there is always room on top," holds good in banking as well as in everything else, and when the top is reached, in the position of cashier or general manager, the position is certainly one of great dignity and emolument. Although of course there is only one general manager to a bank, still there must be the one man to occupy that position, and that man will be the one who has singled himself out from among his fellows, by devotion to duty, self improvement, and generally by making the most of the capacity he was endowed with by nature. Although it is not every clerk who is capable of becoming in process of time the head of his institution, still all should keep this in mind as the goal of their efforts, and thereby they will make the most of any abilities they possess.

As the brilliant man need have no fear for his future while in the employ of a bank, so also one who is only modestly equipped with talents need be under no apprehension, at least so far as a moderately good income is concerned. As remarked before, the prime requisites in a bank are honesty, discretion, and a willingness to work, and no bank is likely to overlook even

these alone ; in fact there is no business in which the mediocre man is as well paid as in banking. In ordinary business or professional life, the man who is classed simply as ordinary is more sure of failing in his occupation than of succeeding in it, but in banking, a man's character counts for so much, that a hard working and faithful man, though he may not be at all brilliant, need have no fears for the future. Of course there comes a time when his salary ceases to be advanced, the period when a man reaches his "maximum of capacity." Here the remarks of the Canadian banker quoted before, bear very fully on the situation:—"It is not every officer who displays the kind of efficiency that fits him for the higher posts in a bank, any more than every young lawyer or medical man has the capacity of fitting himself for a larger and higher style of practice. There are those who attain what may be called the maximum of their capacity in a country branch. There are those also who in a city branch, attain the maximum of their capacity in a subordinate position. Up to the time that this maximum is reached, men can look forward to steady promotion and increase of salary. But this point being reached, and it being obvious that all the officers of a bank cannot all occupy the higher posts, there must in some cases be a period beyond which an advance of salary cannot be looked for."

This point is reached sooner or later by almost all the clerks on a bank staff, but as the higher posts in a bank are so much higher than the lower, there is a great range of responsibility, and the men are paid accordingly. The talents required to fill the different posts differ very widely too, and where a man is not capable perhaps of filling some of the posts where great speed and correctness are required, such as tellers and ledger keepers in a large city office, still there are other posts requiring less speed, but more judgment, in which he would be a great deal more at home, and in which he would do himself more justice. This very difference in the work is what makes it more possible for a man to have work suited to his abilities in a bank, than in many other occupations. As Rae, "Country Banker," says:—"Banking is not all routine. . . . It gives scope for the exercise of qualities ranging from those of the mere drudge to abilities of the highest order."

When a man reaches the higher positions, such as manager or inspector, he not only commands a good salary, but is also in a position of importance in the community.

Another strong factor in determining a man's future prospects is the early recognition of his abilities by those on whom he depends for remunerative occupation. A professional man is dependent on the general public, who are slow to find out a modest man's worth; but a brilliant man in a banking office is at an advantage here over his competitor. Every officer of such a corporation as a bank is being constantly under judgment by his superior officers, in regard to his intelligence, his capacity for work, and his merits generally, and on this judgment his salary or position is advanced or not. Any indication of unusual intelligence, or business capacity, is at once noted, and is sure of its ultimate reward.

The social position an occupation offers is a question of some importance, and the advantages which banking affords are many, and are well known. The position of a banker has always been one of social importance; indeed, standing in the position he does, of curator of his customer's money, and arbiter of credit in whatever town he may be placed, it could hardly be otherwise. "Honor and integrity" and banking are, and should be, synonymous terms, and a man to whom is entrusted both the wealth and the financial secrets of a community, with the certainty that the confidence is not misplaced, can hardly be otherwise than respected by all. A bank manager is always a leading man in any Canadian town or city, and is placed on an equal footing, socially, with those who have been successful in life in other pursuits. The sterling qualities requisite for obtaining and holding such an office are well known, and find ready recognition.

But it is not only the bank manager whose social lot falls in pleasant places. His officers also enjoy advantages which do not always come to their compeers in other professions. In a country like Canada, which is possessed of no hereditary leisure class, bank clerks are of considerable social importance—at any rate in the smaller places. Holding a position which is universally recognized as that of a gentleman, and being placed among young men of his own age and class, who are already

well known, the bank clerk has no difficulty in obtaining social recognition, on being moved to a strange town. In this respect he is far more fortunate than a young man in a mercantile situation, and the society he commands is always the best a town affords. Of course, social advantages are not by any means insisted on as a necessity to a successful career, but at the same time every young man has a certain amount of leisure, even if he devote part of it to self-improvement, and the class of people he mingles with have more or less effect in moulding his character, and shaping his after life.

In connection with this is the additional advantage a clerk has in a large bank, in being moved from one branch to another, thereby not only becoming familiar with different towns and cities, but also enlarging his circle of friends, and broadening his mind by contact with different classes of people.

In concluding, a few words of advice to the aspirant for banking honours will not be out of place. The profession of banking is considered the highest form of business life, and in fact it has been dignified by the title of a science. Banking is, we may point out, one of the most potent factors of modern civilization—the very backbone of commerce—and if a young man desires, among other things, to be serving in a useful profession, one which is a help to his fellow-men, and to the commercial advancement of his country, he can seldom do so better than in a banking career. The aid that banking furnishes to commerce and trade generally can scarcely be estimated, but it is safe to say that they could hardly exist were they deprived of it. It fosters the growth of the smaller institutions by judicious loans; extends credit, furnishes the circulating medium of the country, facilitates the collection of accounts in all parts of the world, and, in short, is the tie that binds the whole fabric of trade together.

It is needless to say that an occupation by itself, no matter how desirable, cannot make a successful man. It is the man who makes a successful career by means of his occupation. Having already shown the possibilities of the field which banking offers, we may now point out the qualities necessary to be practised in order to bring them to pass. Gilbert, the great English authority, in his "Treatise on Practical Banking,"

enumerates them as follows: "To be a good banker requires  
"some intellectual and some moral qualifications. A banker  
"need not be a man of talent, but he should be a man of wis-  
"dom. Talent, in the sense in which the word is ordinarily  
"used, implies a strong development of some one faculty of the  
"mind. Wisdom implies the due proportion of all the faculties.  
"A banker need not be a poet or a philosopher, a man of science  
"or of literature, an orator or a statesman. He need not possess  
"any one remarkable quality by which he is distinguished from  
"the rest of mankind. He will possibly be a better banker  
"without any of these distinctions. It is only necessary that  
"he should possess a large portion of that practical quality  
"which is called common sense. Banking talent (using the  
"word here in the sense of adaptation of character to any par-  
"ticular pursuit) consists more in the union of a number of  
"qualities, not in themselves individually of a striking character,  
"but rare only in their combination in the same person." Gil-  
bart was himself a very happy illustration of his own words,  
and no better person could be chosen as a model than that well-  
known banker.

Another writer's definition of the necessary qualities is this:  
"In addition to ordinary working qualities, this business man of  
"the highest class requires sound discretion, quick perception,  
"and firmness in the execution of his plans. Business tact is  
"also important; and though this is largely the gift of nature,  
"it is yet capable of being cultivated and developed by observa-  
"tion and experience. Men of this quality are quick to see the  
"right mode of action, and if they have decision of purpose, are  
"prompt to carry out their undertakings to a successful issue."

As the last mentioned writer intimates concerning tact, all  
these qualities are to a certain extent the gift of nature, but the  
cultivation of them is the very chance for an earnest, hard-work-  
ing, and ambitious young man to succeed. It is never accident  
which helps a man in the world, but purpose and persistent energy,  
and those who are the most persistent, and work in the  
truest spirit, will invariably be the most successful. One of the  
faults to be most guarded against is a lack of purpose in life:  
a tendency to drift with the tide, taking things as they come,  
and getting the most pleasure possible out of each day, without

taking into account the sterner realities of life. It must never be forgotten that the great prizes of life can only be won by effort, a rule which holds good in banking, as in other occupations.

Another most important aid to success is the study of the theory of banking, a subject on which, unfortunately, there seems to be very little written, in comparison with its importance. Of course, banking is a science which could not well be taught in college, and a purely theoretical man would be a dangerous one to place in charge of a branch, but a judicious admixture of theory and the practical experience of every-day work should turn out very nearly the ideal banker.

One more important, and even indispensable, factor in making a success of banking is attention to matters of detail, what is ordinarily called routine, and sometimes "Red Tape." "Accuracy, discipline, punctuality, method, organization—all are routine. No doubt a blind, stupid routine causes a hindrance to business, but a wise routine greatly facilitates it, while it is the only check on the rashness or incapacity of individuals, where the business of large corporations has to be conducted." This care in matters of routine always marks the successful clerk, as contrasted with the one who is left behind when the question of promotion or increase comes up. "Men who are slow in their work, or inaccurate, or careless; men who cannot be depended upon; men who always want watching to see that they do no mischief; such as these are always marked, and cannot expect to be entrusted with any responsibility, or have their salaries increased. And any indication of unusual intelligence, capacity for business, understanding the business of banking generally, . . . . . all these characteristics are marked and are sure in due time to bring about desired promotion. It must be borne in mind, however, by any officer who is conscious of possessing abilities of this kind, that there may be others equally meritorious, so that if a position is vacant, others may have a better claim to it than himself. But his time will surely come."

Such is the field for work and the means and chances for success. Taking everything into consideration, it is hard to find a pleasanter occupation, giving such an assured position, and promise of a satisfactory career.

## QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

### *Identification of the payee of a cheque*

QUESTION 181.—1. Must a bank on which a cheque is drawn get the payee, if a stranger, identified?

2. What is the custom of banks in Toronto on this point?

3. Does not the English law hold good in Canada, namely, that a bank is protected if the cheque purports to be endorsed by the person to whom it is payable?

ANSWER.—1. The bank must satisfy itself as to the identity of each payee of a cheque to "order" paid over the counter, or pay the cheque at its own risk.

2. It is, we believe, the practice of the banks in Toronto to require identification as a rule; no doubt exceptions are sometimes made when the amount is small, but such exceptions are at the risk of the bank.

3. Banks in England are protected under section 60 of the English Bills of Exchange Act, which is not in the Canadian Act.

The position of banks in Canada in this matter is fully discussed in the reply to question 43.

*Note with joint and several promissors, one being in reality a surety, held overdue*

QUESTION 182.—B and C are joint and several promissors on a note held by A, it being known that C is in fact a surety, B being the real debtor. The note matures, and A accepts a

year's interest in advance, and holds the note overdue. This is repeated until it has been held for four years in all. By this time B is insolvent, and the debt cannot be recovered from him.

1. Should the note have been protested to hold C?
2. Is C discharged by reason of the note being held four years?

ANSWER.—1. C is liable on the note without protest.

2. From the circumstances mentioned we should think that C is not discharged as surety. C would be released if A, at the time of any interest payment, made a binding agreement with B to extend the time of payment for a year; and the acceptance of the year's interest in advance would certainly strengthen a claim made by B, that the holder had so bound himself that he could not sue till the year was out.

*Note made by a firm and guaranteed, or endorsed, by the individual partners, or vice versa*

QUESTION 183.—A bank has discounted for a firm a note made by the individual partners and endorsed by the firm. The firm and the individual partners subsequently make assignments under the Ontario Statute in that behalf.

1. Will the bank's claims rank on the separate estate of the partners in preference to the other creditors of the firm holding the firm's name only?
2. Would the position be the same if the bank held the firm's note guaranteed by the individual partners?

ANSWER.—1. Yes. 2. The same results would follow in this case.

*Acceptance payable "with exchange"—Refusal of acceptor to pay exchange*

QUESTION 184.—A draft for "\$100 and exchange," with a "no protest" slip attached to it, is sent to a bank in Halifax for collection, and is accepted. At maturity the acceptor refuses to pay more than \$100, which the bank takes as a payment on account, endorses the same on the draft, and returns it to the owner. Has the collecting bank the right to accept a payment on account, or should it return the bill unpaid?

ANSWER.—The course adopted was the proper one. The collecting bank may refuse to accept anything other than the full amount of the item, in this case \$100, plus the current rate of exchange, but it may accept partial payment, and in such a case as this, consideration for the interests of the owner of the draft would seem to require the acceptance of the partial payment.

*Sterling draft on London, enfaced payable at a Bank in  
San Francisco*

QUESTION 185.—If a bill is drawn in sterling from Dunedin, N.Z., on London, England, and enfaced payable at the Bank of — in San Francisco, does the San Francisco bank then become the drawee of the bill, and can the bill be protested for non-payment in San Francisco? Would your answer apply equally to a draft drawn from Montreal on Toronto, and enfaced payable in Hamilton, where there is no conversion of sterling into dollars?

ANSWER.—If by the phrase “enfaced payable at a bank in San Francisco” is intended such a crossing as is commonly used in Canada, it is in effect only a request that the San Francisco bank will negotiate the draft, which we would not consider an integral part of the instrument. That being the case the bill is not payable at the office of the San Francisco bank, and is not dishonoured if they will not comply with the request.

A draft drawn in Montreal on a Bank in Toronto, crossed with the request that some other bank will pay it in Hamilton, is not, in our opinion, thereby made payable at the latter point. If the request is not complied with the only result that would follow, so far as we can see, would be that the purchaser might have a claim for damages against the drawer, for failure of an implied understanding that the draft would be paid to him in Hamilton.

It is the custom in Canada to permit certain large financial institutions to place a memorandum on their cheque forms to the following effect: “This cheque is negotiable (or payable) at par at any office of the Bank in Canada.”

It has long since been settled that encashment of such a cheque by a branch of the bank other than that on which it is drawn, is only a negotiation of it, and we should suppose the “enfacement” to which you refer to be of the same character.

There are occasional cases here where a cheque drawn by a customer is marked “good” by the drawee bank, and crossed by it with instructions to another branch of the bank to pay the same. This we should regard as a domiciliation by the acceptor of the cheque, and it would probably be dishonoured if not paid in accordance with such instructions.

*Cheque payable to “self,” with words “or bearer” scored out*

QUESTION 186.—A cheque is drawn by John Smith payable to “self,” the word “bearer” being scored out; in other respects the cheque is in accordance with the common form. Is it legally payable to order?

ANSWER.—Such a cheque must be regarded as payable to John Smith (the drawer), or order. (Bills of Exchange Act, Sec. 8, sub. sec. 4).

*Notice of customer's death*

QUESTION 187.—Re Sec. 74, Bills of Exchange Act, (1) What constitutes notice of a customer's death? (2) Would a bank be justified in refusing payment on the strength of one of its officers having heard of a customer's death?

ANSWER.—1. Any information received by the bank from which the death of the customer may be fairly inferred, must be held to constitute notice of his death.

2. Generally speaking, any information received by an officer of the bank which is within the above conditions would not only justify the refusal of the cheque, but would put on the bank the burden of paying the cheque, if paid, at its own peril; *i. e.*, if it should prove that the information was correct the bank would not have the right to charge the cheque to the customer's account. The risk involved in this is fully stated in the JOURNAL for October, 1898, in reply to Question 158.

Whether information which has reached any officer of the bank is to be regarded as knowledge on the part of the bank would depend somewhat on the circumstances, the position of the officer, &c.

*Cheque in payment of goods accepted by secretary of a patron organization, payable to himself personally, and negotiated with a bank—Cheque dishonoured—Rights of holder*

QUESTION 188.—John Smith having been appointed Secretary and Treasurer by the patrons of a cheese factory, engages to manage the business, make the cheese, and sell the same, for a remuneration of so much per lb. He makes a sale of cheese, receives an unmarked cheque for the same payable to himself personally, endorses the cheque (in his own name alone), and negotiates it with a bank. The cheque is returned dishonoured.

Can the holder recover from the patrons, Smith being their paid agent and the cheque really their property?

ANSWER.—The questions involved here are chiefly questions of fact. If the relations between John Smith and the bank were such that the latter could successfully set up that they were dealing with him as agent for the patrons, they could no doubt look to the latter to make good the agent's liability.

If, however, he was only authorized as agent to sell for them for cash, and not on credit, it could scarcely be said that

the unmarked cheque was taken under their authority, and it would probably prove that John Smith took the cheque at his own risk, and that he alone is responsible to the bank, as endorser, for its non-payment.

On the state of facts indicated by the question we should say that the bank would have great difficulty in establishing any claim on the patrons, but a definite opinion could not be expressed without hearing both sides of the case fully.

*Bill payable "—— months and a half after date"*

QUESTION 189.—Would "—— months and a half after date" be a good bill?

ANSWER.—There have been no judicial decisions as to the effect of an order for the payment of money at "—— months and a half" after date or sight, and we find it somewhat difficult to form an opinion in the matter. Should a case come before the Courts they might decide that a half month should be taken to mean some arbitrary period, such as 14 days. We think, however, that each case would have to be judged on its own merits, and that if the half month which the document covered was determinable, it would be a bill of exchange; but if not, then it would not be a bill of exchange one of the essential features of which is that it is payable at a "fixed future time."

As an example take a bill dated 10th January payable three and one-half months after date. This, we think, would be due on 25th April, 15 days being clearly one-half of the month of April. If the bill were dated 25th January it would be impossible to say what the half month would be.

*Amount of a bill expressed in figures and not in words*

QUESTION 190.—Would a bill be invalid because the amount in the body is expressed in figures, instead of words?

ANSWER.—We do not think that a bill is invalid because the amount is expressed only in figures and not in words.

*Bill accepted payable at a bank where the payee has no account*

QUESTION 191.—May a bank refuse to take money with which to pay a draft held by another party, from the drawee of the same, the draft having been accepted by him payable at the bank? He has no current account with them.

ANSWER.—The bank is quite at liberty to refuse to take money from anyone not a customer with which to retire a note domiciled by him at the bank. No person can be forced to act as agent for another against his will.

*Rules respecting endorsements—Endorsement by limited companies*

QUESTION 192.—Items are frequently deposited bearing the stamped endorsement of limited companies consisting of the company's name alone, without the name of any officer.

Our interpretation of paragraph 2 of the "Conventions and Rules" is that the name of the person, or persons, signing for a limited company must appear, whether the endorsement be stamped or written. Please say if we are right.

ANSWER.—Under the "Conventions and Rules" the name of the proper officer must appear in any endorsement, whether stamped or written.

*Missing endorsement necessary to complete title*

QUESTION 193.—The "A" Bank presents to the "C" Bank through the Clearing House a cheque payable to Smith & Jones, or order, and bearing the endorsement of John Smith and the presenting bank, which is paid; the want of Smith & Jones' endorsement is not discovered until some few days afterwards, when it applies to the "A" Bank to procure the correct endorsement. That bank contends that the paying bank has lost its recourse against them by not returning the item on the day it was deposited, and also because it has been cancelled, but offer to procure the endorsement as an act of courtesy. The "C" Bank contends that it has the right to demand the proper endorsement, or, failing that, repayment of the amount of cheque. Kindly favour me with your opinion.

ANSWER.—This case does not come within the rules of the Clearing House, or the rules respecting endorsements. It is a simple case of money paid to a party who has no title to receive it, under a mistake of fact, which he is bound to return on discovery of the mistake. The cancellation is not material; it can be revoked by the paying bank. This case differs from one where money is paid on an item bearing a forged or unauthorized endorsement, because the bank was not in any sense a holder of the cheque, there being a gap in the title. The Bank of Liverpool and River Plate Bank case dealt with a bill of exchange paid to a holder who had an apparently clear title, and the amendment to our Bills of Exchange Act, passed in 1897, deals with similar cases.

*Clearing Houses*

QUESTION 194.—1. Why have no clearing houses been established at Quebec and Ottawa?

2. Would it not be advisable to put them in operation wherever there are five banks or more?

ANSWER.—1. We think clearing houses would unquestionably be found to serve a very useful purpose at the points mentioned; but for an answer to the enquiry why they have not been established we must refer our correspondent to the local banks concerned.

2. We think that in any place where there are (say) seven banks established, a clearing house would economize time and labour greatly. They might with advantage be established where the number is less, but the economy would not be so marked, nor the gain very great. We see no difficulty in establishing them in places where settlements are not made by legal tenders. The rules of the Hamilton clearing house on the point of settlement are suited to places where balances are settled by drafts on Montreal or other central points.

*Notes of a bank circulated in a district where it is not represented*

QUESTION 195.—The Bank of X has a small capital and its circulation limit is frequently reached. The notes of another bank not represented in the district are paid out by it, and as a result the other banks in the neighborhood receive large amounts of these bills and are obliged to pay express charges to the nearest point of redemption.

Is not this a violation of the spirit of the Bank Act and also in some sense unfair to the public, who accept these bills in good faith, and find that they cannot exchange them for legal tenders or gold? Why should not other banks in the district refuse to receive such bills except at a discount?

ANSWER.—We think that the wrong to the public may be left out of consideration, as they take the bills voluntarily in payment of debts due them, for which they have the right to exact payment in legal tender money.

The question as to the duty of the issuing bank in such a case as this, is, however, open to discussion. We think that they might very well undertake to redeem for the time being all notes of the kind they are circulating, and it would seem clear that this could usually be done without loss. If, however, the matter could not be amicably arranged in this way, we would think

it open to serious objection for the other banks to refuse to accept the bills from their customers. The adoption of such a course, even under the stress of unfair conditions such as those mentioned, would be bound to disturb the public confidence in bank notes, a confidence that has been largely increased by the arrangements brought into effect at the last revision of the Bank Act. At the present time any person, in any part of Canada, who receives a bill issued by a Canadian bank, knows that he has something that he can use without question, and at its face value, whenever he wishes to pay a debt with it or deposit it in his bank, and it would be a serious matter to disturb this condition.

*Instructions by wire to "notify and pay"—Neglect to notify—  
Liability*

QUESTION 196.—A New York bank instructs a Halifax bank by wire as follows: "Notify and pay A \$1,000." Through oversight A was not notified, and, according to his statement, lost a valuable contract through not receiving the money. Has he any claim on the Halifax bank or the N.Y. bank for the loss incurred?

ANSWER.—A clearly has no right of action against the Halifax bank. Whether he would have a claim against the New York bank, or the New York bank's customer who was sending the money, would depend altogether on the facts.

Under ordinary circumstances, and in the absence of any special arrangement or understanding, the New York bank would probably not be under any liability to the party to whom the money was to be transmitted, and, of course, the Halifax bank could not be held responsible if the New York bank was not. The question is, however, one which could only be answered with a full knowledge of all the facts.

*Irregular Endorsements*

QUESTION 197.—A cheque payable to Mrs. A. A. Smith or order is endorsed "B. B. Smith" and paid under a guarantee.

(1) What is the exact position of the paying bank under the guarantee?

(2) Would its position be different if the cheque had been endorsed "B. B. Brown"?

ANSWER.—(1) We think the presenting bank guarantees that "B. B. Smith" is the proper signature of Mrs. A. A.

Smith, the payee of the cheque, and that if this should turn out not to be the case they would be bound to return the amount of the cheque to the paying bank.

(2) We do not think a cheque drawn in favor of Mrs. A. A. Smith and endorsed "B. B. Brown" should be cashed even under a guarantee. If Mrs. Smith had remarried and her new name was Brown, no doubt the guarantee would have the same effect as in the first instance mentioned, but if it should prove that there is no connection between Mrs. A. A. Smith and B. B. Brown, we do not think the guarantee would affect the question at all. The presenting bank would probably be bound to return the amount of the cheque to the paying bank as money paid to them under a mistake. See reply to question 193 in this number.

*Books on banking subjects*

QUESTION 198.—Will you kindly publish a list of text-books on banking, currency, stock exchange transactions, commercial law, etc., which it would be advisable for bank officers to study, as if for an examination after the manner of Scotch banks? Having decided upon the particular text-books, could they be purchased cheaply through the Editing Committee?

ANSWER.—A reply to the foregoing will be found on a page at the end of the JOURNAL. The list of books there given will be supplemented later on. The discounts quoted are not large, but we may remark that nearly all legal books are expensive, and deductions are rarely made from the regular prices.

*Cheque endorsed by payee—Refusal of party presenting to endorse*

QUESTION 199.—A presents at the drawee bank a cheque payable to the order of B and endorsed generally by the latter, which he himself declines to endorse. Can the bank refuse payment until he does?

ANSWER.—The bank has probably no right to demand A's endorsement, but it has the same right to withhold payment until it is satisfied that the endorsement of B is in order that it would have if B, being a stranger, presented the cheque in person. See answer to question 43, Vol. IV, p. 95.

## Legal

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*Debentures of a company covering all property, present and future—Uncalled capital not "property" in this sense.*—In a recent case before the Court of Appeal, England (In re *Russian Spratts Patent, Limited. Johnson v. Russian Spratts Patent, Limited*),\* it was held that where a limited company having power, under its articles of association, to borrow money on its debentures charging its property, both present and future, including its uncalled capital, issued debentures charging its undertaking "and all property to which it now has or shall at any time hereafter become entitled"—the expression "property" in the debentures did not comprehend the capital of the company uncalled at the commencement of the liquidation of the company.

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### CASES REPORTED IN THE JOURNAL

*Negotiability of bearer debentures.*—The judgment of the Court of Queen's Bench, England, in *Bechuanaland Exploration Co. v. London Trading Bank*, reported in the October JOURNAL, is of much importance to banks in Canada. The Courts have never before, we think, had to deal with so direct an issue on the point of the negotiability of bearer debentures. The judgment, which discusses very ably indeed the difficult points involved, finds, as a matter of fact, that there is an established usage under which such securities are negotiable by delivery in effect in the same way that bills are negotiable, and this usage being established the necessary result follows that any person who in good faith and for value acquires bearer debentures from the party holding them, gets a good title thereto.

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*Chattel Mortgage Security—Fraudulent Preferences.*—The judgment in *Burns v. Wilson*, also reported in our October number, puts another obstacle in the way of debtors fraudu-

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\**The Law Reports.*

lently preferring any of their creditors. It had previously been held that a chattel mortgage given for money actually advanced, although the money was to be used to pay off one creditor to the disadvantage of all the rest, was a valid security, and this decision is not now disturbed; but in *Burns v. Lewis*, where the creditor had himself lodged a bond to indemnify the chattel mortgagee in case of loss, it was held that the advance by the latter was not a *bonâ fide* payment of money within the statute, and the chattel mortgage was held to be void.

In *Webster v. Crickmore* another question arising out of the same Act was dealt with, and no one will doubt that the decision is in accordance with justice as well as law. The creditor in this case took a chattel mortgage in pursuance of an earlier agreement, but under circumstances which showed that the taking of the mortgage had been deliberately postponed in order to prevent injury to the credit of the mortgagor, and it was held that under these circumstances the agreement to give security was of no avail in rebutting the presumption of intent to prefer.

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*Guarantee bond—Statute of Limitations.*—The effect of the Statute of Limitations on a guarantee bond is a point which must often trouble bankers. *Parr's Banking Co. v. Yates*, reported in this number, deals with one aspect of the matter of very great importance indeed to banks. Where suit was not brought against a guarantor until more than six years had elapsed from the maturity of the last advance made to the customer, although in the meantime liquidation had been actively carried on and the account arranged from time to time by the customer in the usual way, the guarantor was held to be discharged by the Statute of Limitations as to the advances, but liable—as his guarantee was for interest as well as principal—in respect to the interest which had become due during the six years preceding the action.

## LEGAL DECISIONS AFFECTING BANKERS

COURT OF APPEAL, ENGLAND

Parr's Banking Co. v. Yates\*

The defendant guaranteed payment of a customer's liability to the plaintiff bank, and interest thereon, up to a certain amount. The bank ceased making advances to the customer in 1890, and in 1897 brought action against the guarantor in respect of the advances and interest then owing by the customer.

*Held*, that the bank's claim on the guarantor in respect to the advances was barred by the Statute of Limitations, but that interest accruing during the six years preceding the action was recoverable.

Appeal by the defendant from the judgment of Bruce, J., at the trial of action without a jury.

The action was brought by the plaintiffs, who were bankers, to recover from the defendant £1,000 upon a guarantee given by the defendant to secure the account with the plaintiffs of one McLaren, who carried on business as D. McLaren & Co.

The guarantee, which was in the form of a letter dated February 7, 1887, addressed to the plaintiffs and signed by the defendant, was in the following terms:

"In consideration of your agreeing, at my request, to come under advances or liabilities to or for D. McLaren & Co. (the guaranteed party) in account current with you, on condition that I should give this guarantee, I undertake to guarantee to you the due payment and satisfaction of all moneys and liabilities that may have been or may from time to time be owing to or incurred by you in account with the guaranteed party, with interest, commission, and other banking charges; and this shall be a continuing guarantee, and shall not be withdrawn except at the expiration of six calendar months from the day of written notice being given by me to you for that purpose; but the amount ultimately recoverable hereunder shall not exceed £1,000, with interest thereon from the day on which the same shall be demanded from me until paid; . . . and any settled or stated account by or between you and the guaranteed party, or admitted by the latter, shall from time to time be and be received in any Court and under any circumstances whatsoever as conclusive and indisputable evidence against me of the balance or amount thereby appearing due from the guaranteed party to you."

\**Law Journal Reports.*

The plaintiffs made advances to McLaren from time to time between February 8, 1887, and December 3, 1890, with which his account was debited, and payments were made by McLaren from time to time on account, with which his account was credited. The account was always in debit.

The account was made up in the way usual between bankers and their customers every half year, a balance being struck on June 30 and December 31 in each year. At the end of each half year the plaintiffs debited McLaren in the account with the interest upon the amounts from time to time owing by him during the half year, and also with commission, and carried forward the balance found to be due by him, to his debit at the commencement of the next half year as the amount then owing by him.

The balance due from McLaren on December 31, 1890, was £3,247 14s. 5d. No advances were made to him after December 31, 1890, the only items placed to his debit in the account after that date being interest, commission, and small bank charges, with which he was debited in the usual way at the end of each half year.

Payments continued to be made by McLaren on account down to March, 1897, which ultimately reduced the balance against him to £1,979 1s. 6d. on June 30, 1897.

The action was commenced on September 3, 1897.

The bank claimed £1,000, the limit of the guarantee, in respect of the balance of account owing by McLaren.

Bruce, J., gave judgment for the plaintiffs for the amount of the claim.

The defendant appealed.

A. L. SMITH, L.J.—This is an appeal from a judgment of Mr. JUSTICE BRUCE in favour of the plaintiffs, who are bankers, for a sum of £1,000, fixed by a guarantee given to them by the defendant in respect of advances which were to be made from time to time by the plaintiffs to a customer.

The guarantee in question, which was given on February 7, 1887, was to be a continuing guarantee of the account of McLaren, the customer, with the plaintiffs. After the year 1890 no further advances were made to the customer by the bank, but the account continued to be charged with interest and commission as against him; and as and when he made pay-

ments on account of the balance due by him, these payments were credited against the general account. Things so went on until April, 1897, when McLaren disappeared, and the bank took proceedings against the guarantor, the defendant. His defence is that the claim of the bank as against him is barred by the Statute of Limitations. I am of opinion, upon the true construction of the guarantee, that as regards principal sums advanced this is so, and that inasmuch as the advances by the bank were all prior to December, 1890—that is prior to six years before action brought, when a cause of action as to this arose—and there have been none since that date, the claim of the bank as regards those advances is barred by the statute. But this does not dispose of the whole of the plaintiff's claim, because the guarantee was given not only in respect of advances, but also in respect of "interest, commission, and other banking charges." It seems to me that inasmuch as interest, commission and other banking charges have accrued due within six years before action brought, and inasmuch as the defendant has guaranteed the payment of this interest, commission and other banking charges just as much as the principal advances, the plaintiffs are entitled to recover all such interest, commission and other banking charges as accrued within six years before the commencement of the action. I think that the rule relied upon as to the appropriation of payments on account to interest before principal does not apply to a banker's account such as this, where the balance is made up from time to time, and the interest is carried to capital every time the account is made up. For these reasons I think that the judgment of Mr. Justice Bruce must be varied, and that judgment must be entered for the plaintiffs for the amount of the interest, commission, and bank charges which have accrued due within six years before action commenced.

RIGBY, L. J.—As to the question of the application of the Statute of Limitations to the principal sums advanced, I have nothing to add to what has already been said. It seems to me that on December 31, 1890, the bank had then a right of action against the guarantor in respect of all principal sums advanced up to that date. Those items in account were then due, and the bank's right of action against the guarantor in respect of them had then accrued, and consequently accrued more than six years before the writ in the action. In the absence of any authority to support it, I cannot assent to the contention put forward on behalf of the bank that, upon the true construction of the guarantee, the guarantor was liable for all sums due from the principal debtor as and so long as the principal debtor remained liable for those sums. The effect of that construction would be that so long as the principal debtor owed any balance to the

bank the guarantor could not take the benefit of the Statute of Limitations. I do not think that the use of the word "continuing," as applied to the guarantee, involves that. The effect of that word is only to extend the guarantee beyond the first advance by the bank to any subsequent advances they may from time to time make to the customer so long as the guarantee continues—that is, until it is determined by notice.

As regards the interest, I have had some difficulty by reason of the peculiar language of the guarantee. I have, however, come to the conclusion that, upon the true construction of the guarantee, interest was intended to be guaranteed on the same footing as principal. The words "all moneys owing with interest" do not mean that the guarantor is liable in respect of interest as accessory merely to the claim for the principal advances on the guarantee, but the true meaning is that the guarantor guarantees the payment of all sums owing on the account, whether they are due for principal or for interest, and consequently, as regards any interest which shall be found to have accrued due within six years before the commencement of the action, the claim of the bank is not barred by the Statute of Limitations.

Then, as to the appropriation of payments. No doubt, generally speaking, payments made on account are first applied to paying off the interest, because to apply them to the payment of the principal would deprive the creditor of part of the benefit of his bargain. But this rule cannot apply to an account such as the present, which is kept in the way usual as between banker and customer, and so far usual that the customer and his guarantor must be taken to have assented to it. Here the balance was made up every half year, the interest added, and a balance struck, the balance being carried forward as principal to the beginning of the next half year's account. The interest is every half year converted into principal, and the bankers cannot afterwards search out how much of the amount owing by the customer is owing for principal and how much for interest. The parties must be assumed to have understood that the account would be kept on the usual footing of treating the amounts from time to time paid in on account as deductions from the general amount then owing, whether for principal or interest.

VAUGHAN WILLIAMS, L.J.—I agree. The bank's cause of action as regards each item of account arose, and the Statute of Limitations thereupon began to run, as each particular item, whether of advance, interest, or otherwise, became due. The right to sue in respect of the particular item arose on the day on which the item became due. I agree, therefore, that as regards the principal advances, the claim of the

plaintiffs is barred by the statute. I also think that the interest is like any other item in the account, and that the guarantor continues liable, and cannot get rid of his liability, notwithstanding that his liability as guarantor in respect of items of principal advances may have ceased. I also agree that the rule that payments on account are first to be applied to the payment of interest as distinguished from principal does not apply in the case of a banker's account like the present, because there the interest is from time to time added to the principal and becomes part of it. The judgment, therefore, of the learned Judge in the Court below must be set aside, and judgment entered for the plaintiffs for such amount of interest, not exceeding £1,000, as upon enquiry shall be found to have accrued due within six years before action brought.

Judgment varied accordingly.

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COURT OF APPEAL, ENGLAND

New London Credit Syndicate v. Neale\*

Evidence of a contemporaneous oral agreement to renew a bill of exchange is inadmissible in an action upon the bill.

Appeal from the judgment of Darling, J., at the trial of the action without a jury.

The action was brought by the plaintiffs, the holders of a bill of exchange for £110, dated August 12, 1897, payable three months after date, drawn by Allen & Sons upon and accepted by the defendant. The bill was endorsed to the plaintiffs by Allen & Sons, the drawers, for value.

It appeared that the bill of exchange had been given by the defendant to Allen & Sons in respect of a claim by them against a company of which the defendant was chairman, and at the trial evidence was given that at the time the bill was handed to Allen & Sons by the defendant, Allen & Sons agreed to renew it if the defendant had any trouble about meeting it at maturity.

It was admitted on behalf of the plaintiffs that they had notice of the circumstances under which the bill was given, and they did not claim to stand in any better position than

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\**Law Journal Reports*, Sept., 1898.

Allen & Sons, the drawers; but it was contended that evidence as to the contemporaneous oral agreement to renew the bill was inadmissible.

Darling, J., was of opinion that the bill had been negotiated in breach of faith within the meaning of section 29, subsec. 2, of the Bills of Exchange Act, 1882, and gave judgment for the defendant.

The plaintiffs appealed.

A. L. SMITH, L.J.—In this case the action was brought upon a bill of exchange at three months by the endorsees of the bill against the acceptor. It is, however, conceded on the part of the plaintiffs that they may be assumed to have had notice of the circumstances under which the bill was given, so that they are to be taken to be in no better position than the drawers of the bill would have been in if the action had been brought by them. We may therefore treat the case as if it were an action by the drawers of the bill against the acceptor. Now it is alleged on behalf of the acceptor that at the time he accepted the bill there was a conversation between himself and the drawers as to the renewal of the bill in case he should have any difficulty about meeting it at maturity, and that the drawers undertook to renew the bill if necessary; and it is contended that the effect of this was that the drawers promised that they would not part with the bill during the three months, at the expiration of which the bill was made payable, and would renew it, if need be, at the end of that time. That is to say, the acceptor sets up a parol contract, entered into by the drawers at the time the bill was given, to renew it if requested, and not to part with it in the meantime. The first question, therefore, is whether evidence of that parol agreement can be given as against the written document by which the acceptor agreed to pay the amount of the bill at the end of three months from its date. I am of opinion that the evidence is not admissible. The agreement sought to be given in evidence was not an agreement that the document should be a mere escrow—in other words, that it was not to be a bill of exchange at all. The document, when it was handed by the acceptor to the drawers, was handed to the drawers as, and was intended to be, a bill of exchange. All that it is alleged was agreed was that the bill should be renewed at maturity. The law on this subject is clearly stated by Mr. Justice Willes in *Abrey v. Crux*. It is there stated as being settled by *Hoare v. Graham*, *Foster v. Jolly*, and *Young v. Austen*, that the parties are not entitled to contradict by parol evidence a written contract which is as complete at the time it is entered into as it ever is intended to be. It is said, however, that this is not the

law now, because the law is now embodied in the Bills of Exchange Act. But the Bills of Exchange Act has not altered the law of evidence that parties cannot by parol evidence contradict the written contract into which they have entered. Here the written contract by the defendant was to pay the amount of the bill at the expiration of three months from its date, and he now seeks to contradict that by parol evidence to show that he was not to pay until the expiration of some extended period.

But then it was said that the bill was negotiated in breach of faith within the meaning of section 29, sub-section 2, of the Bills of Exchange Act. I agree that if the plaintiffs were asserting (which they are not), that they were holders in due course, so that the section applied here, and it was shown that the bill was negotiated in breach of faith, the title of the plaintiffs might be defective. But, assuming all that, how can it be shown in the present case that the bill was negotiated in breach of faith? The evidence on which the defendant relies is inadmissible, because it is evidence of a parol agreement which contradicts the written agreement between the parties. The appeal must be allowed.

RIGBY, L.J.—I am of the same opinion. It is a very wholesome rule that where parties have put the agreement between them into writing, parol evidence is not admissible to vary, contradict, or add to the terms of the written agreement. That rule does not apply where the question raised is whether the written document was intended to be a contract at all, or was made subject to a condition. In my opinion the present case fully justifies the general rule of law applicable here.

VAUGHAN WILLIAMS, L.J.—I agree. A convenient test of whether parol evidence was admissible where there had been a written document was under the old law afforded by enquiring whether the parol evidence might have been properly given under a plea of *non est factum*. If what the party who was seeking to give the parol evidence was really setting up was that though he had in fact signed the written document he had never executed it so as to be an effective contract at all, there the oral evidence was admissible. Otherwise it was not.

Appeal allowed.

## HIGH COURT OF JUSTICE, ONTARIO

## Cunnington v. Peterson et al\*

In an action on a promissory note against several parties as makers it appeared that the name of one of the alleged makers was not signed by him or with his authority, but was added to the note after some and before others of the makers had signed it before the note came to the hands of the plaintiff, a holder for value:

*Held*, that the plaintiff being the holder of the note in due course and the alteration not being apparent, he could avail himself of it as if it had not been altered, under the proviso to sec. 63 of the Bills of Exchange Act, 1890, 58 Vict. ch. 33 (D.).

This was an appeal from the County Court of the county of Waterloo in an action on a promissory note.

It appeared that the name of one Nicholas Dietrich, which was on the note as one of the makers, was not signed by him or with his authority and that it had been signed before the note came to the hands of the plaintiff, a holder for value. It was contended that the addition of his name after the note had been signed by others of the makers was such a material alteration as invalidated it.

The County Judge dismissed the action as against Dietrich, but gave judgment in favour of the plaintiff against the other defendants.

From this judgment those defendants appealed and the appeal was argued on March 10, 1898, before a Divisional Court composed of ARMOUR, C.J., FALCONBRIDGE and STREET, JJ.

The judgment of the Court was delivered by

ARMOUR, C.J.: The note, a joint and several one, sued upon in this action purported to have been made by all the defendants payable to Dygert Brothers and by Dygert Brothers endorsed to the plaintiff, who became "the holder thereof in due course" within the meaning of the Bills of Exchange Act, 1890.

The defendants Good and Hahn apparently did not defend the action; the defendant Nicholas Dietrich denied that he made the note, and the other defendants set up amongst other things that R. J. Dygert, one of the firm of Dygert Brothers, materially changed and altered the said note by forging the name of the defendant Nicholas Dietrich thereto, and the same was thereby avoided.

The plaintiff did not at the trial attempt to prove the

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\* *The Ontario Reports.*

signature of the defendant Nicholas Dietrich to the note, and was at the close of his case non-suited as to the defendant, Nicholas Dietrich, and thereupon the defendant Nicholas Dietrich was called as a witness on behalf of the other defendants and denied that he signed the note and that he ever authorized any one to sign it for him.

There was no evidence that, as alleged, R. J. Dygert forged his name, nor as to how his name came to be signed to the note, nor when, but it clearly appeared that it was signed to the note when the plaintiff became the holder of it.

If the name of the defendant, Nicholas Dietrich, was signed to the note neither by him nor by his authority, the question arises whether the plaintiff can recover against the other makers of the note, and this was the only question argued before us.

This case differs from the case of *Reid v. Humphrey* (1881), 6 A. R. 403, for there the name of the payee, David Pickle, was added as a maker after the note had been completed and issued, and the inference was, if the evidence of Pickle was believed, that his name was added by the holder, or while in the custody of the holder; while in this case the name of the defendant, Nicholas Dietrich, was signed to the note during the completion of it, after five of the defendants had signed it and before other two of the defendants had signed and before it was issued, and it is clear that the holder, the plaintiff, did not sign it, and I do not think it fair from the evidence to conclude that either of the payees did it, and the inference I draw from the evidence is that if the defendant, Nicholas Dietrich, neither signed it nor authorized the signing of it, some person signed it, not with intent to defraud, but believing that he had the authority to sign it for the defendant, Nicholas Dietrich.

Under these circumstances it may admit of considerable doubt whether this was a material alteration which avoided the note, or whether it was an alteration at all.

But it is unnecessary for us to determine whether this was an alteration of the note sued on or not, or whether or not it was a material alteration of the note, for we are of the opinion that the plaintiff, being the holder of the note in due course and the alteration not being apparent, may avail himself of it as if it had not been altered, under the proviso to sec. 63 of the Bills of Exchange Act, 1890.

It was contended that this proviso did not include an alteration by the addition of a name as maker to a note, but this proviso was passed for the protection of holders in due course, and we cannot so restrict the generality of its terms.

In *Leeds and County Bank v. Walker* (1883), 11 Q.B.D. 84, Denman, J., in commenting on this proviso, at p. 90, said:

“By the word ‘apparent’ I do not think it is meant that the holder only should not have had the means of detecting the alteration. If the party sought to be bound can at once discern by some incongruity on the face of the note, and point out to the holder that it is not what it was, that is to say, that it has been materially and fraudulently altered, I think the alteration is an apparent one, even if it is not an obvious one to all mankind.”

But this was not necessary to the decision of the case and would do away altogether with the benefit to the holder in due course designed by the proviso, and was not followed in the much litigated case of *Scholfield v. The Earl of Londesborough*. The appeal must be dismissed with costs.

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### HIGH COURT OF JUSTICE, ONTARIO

#### Glanville v. Strachan et al\*

The provision of section 20 of the Assignments Act, R.S.O. ch. 147, that “every creditor in his proof of claim shall state whether he holds any security for his claim or any part thereof, and if such security is on the estate of the debtor, or on the estate of a third party for whom such debtor is only secondarily liable, he shall put a specified value thereon,” means that if, as between the debtor and the third party, the latter is primarily liable, and the debtor only secondarily liable, the creditor must put a specified value upon his security.

The substance, not the form, of the transaction is to be looked at, to ascertain whether the third party is primarily liable; and if it be found that he is, the debtor is then only secondarily liable.

The facts in this case, briefly stated, are as follows:

In 1889 Frances E. Berkinshaw obtained a conveyance of certain lands subject to a mortgage which had been assigned to Margaret A. Strachan. The mortgage matured in December, 1892, when an agreement was entered into between Frances E. Berkinshaw and her husband and Margaret A. Strachan by which, in consideration of an extension of time for payment till 1897, the former agreed to indemnify the latter for all loss she might incur by reason of default in payment of the mortgage moneys.

William H. Berkinshaw, the husband, having become insolvent, made an assignment for the benefit of his creditors under R.S.O. ch. 147, to the plaintiff, as trustee for creditors. The defendants, executrices of the estate of Margaret A. Strachan,

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\* *The Ontario Reports.*

filed with the plaintiff a claim for the amount of the mortgage indebtedness, claiming the right to rank on the estate for the full amount of such indebtedness.

The defendants asserted that, as between Frances E. Berkinshaw and William H. Berkinshaw, on the one part, and themselves, on the other part, both the former were directly and primarily liable for the indebtedness; but the plaintiff contended that the security held by the defendants was a security on the estate of Frances E. Berkinshaw, for whom William H. Berkinshaw was only secondarily liable within the meaning of sec. 20 (4) of the Act respecting Assignments and Preferences by Insolvent Persons, R.S.O. ch. 147.

The question submitted to the Court by the parties was whether the defendants were or were not obliged, in ranking upon the estate, to value their security.

ARMOUR, C.J. : In my opinion, the defendants are obliged, in ranking upon the estate of the insolvent, to put a specified value upon their security, both according to the very words of the statute and to the reason and object of it.

The provision is that "every creditor in his proof of claim shall state whether he holds any security for his claim, or any part thereof; and if such security is on the estate of the debtor, or on the estate of a third party for whom such debtor is only secondarily liable, he shall put a specified value thereon," etc.

This clearly means that if, as between the debtor and the third party, the third party is primarily liable and the debtor only secondarily liable, the creditor must put a specified value upon his security.

It matters not if, according to the form of the transaction, the debtor and the third party are both apparently primarily liable to the creditor; if, as between themselves, the third party is primarily liable, and the debtor only secondarily liable, the creditor must put a specified value upon his security, for in such case the third party is the party "for whom the debtor is only secondarily liable."

The form of the transaction is not to be looked at, but the substance of it, in order to ascertain whether the third party is the party primarily liable for the claim, and if it be found that he is, the debtor is then only secondarily liable for the claim, within the meaning of the provision.

The reason and object of the provision was to prevent the estate of a debtor being burdened by the claims for which the debtor was only secondarily liable, to a greater extent than was necessary for the protection of the creditor, and to augment his estate as much as possible.

# UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

## IMPORTS

	1897		1898
<i>Quarter ending 30th September—</i>			
Free .....	\$12,853		\$16,531
Dutiable.....	17,764		24,549
	\$30,617		\$41,080
Bullion and Coin .....	2,372	\$32,989	3,110
			\$44,190
 <i>Month of October—</i>			
Free.....	\$ 4,341		\$ 4,805
Dutiable.....	5,646		6,426
	\$9,987		11,231
Bullion and Coin.....	74	\$10,061	498
			11,729
 Total for four months.....		\$43,050	\$55,919

## EXPORTS

<i>Quarter ending 30th September—</i>			
Products of the mine.....	\$ 3,586		\$ 2,980
"    Fisheries .....	2,411		2,384
"    Forest .....	13,409		12,767
Animals and their produce .....	14,500		12,068
Agricultural produce .....	5,718		4,076
Manufactures .....	2,573		2,600
Miscellaneous .....	27		49
	\$42,226		\$36,925
Bullion and Coin.....	252	\$42,478	373
			\$37,298
 <i>Month of October—</i>			
Products of the mine.....	\$ 1,343		\$ 1,413
"    Fisheries .....	2,253		1,917
"    Forest .....	2,485		3,399
Animals and their produce.....	6,098		5,959
Agricultural produce .....	3,471		2,372
Manufactures .....	853		820
Miscellaneous .....	19		18
	\$16,523		\$15,899
Bullion and Coin.....	170	\$16,693	1,454
			\$17,353
 Total for four months.....		\$59,171	\$54,651

## SUMMARY (in dollars)

	1897	1898
<i>For four months</i>		
Total exports other than bullion and coin....	\$ 57,749,000	\$ 52,311,000
Total imports other than bullion and coin....	40,604,000	52,824,000
Excess .....	Exp. \$17,145,000	Imp. \$ 513,000
Net imports of bullion and coin.....	2,024,000	1,781,000

STATEMENT OF BANKS acting under Dominion Government charter for the months of September, October and November, 1898, and comparison with November, 1897:

LIABILITIES

	30th Sept., 1898	31st Oct., 1898	30th Nov., 1898	30th Nov., 1897
Capital authorized .....	\$ 76,258,684	\$ 76,508,684	\$ 76,508,684	\$ 73,258,684
Capital paid up .....	62,900,034	63,051,104	63,170,293	62,288,636
Reserve Fund .....	<u>27,555,666</u>	<u>27,619,464</u>	<u>27,694,310</u>	<u>27,283,999</u>
Notes in circulation .....	\$ 49,071,143	\$ 42,543,446	42,350,948	\$ 40,143,878
Dominion and Provincial Government deposits ..	6,056,461	4,891,175	4,967,694	6,232,184
Public deposits on demand .....	87,214,909	87,352,116	89,468,722	80,402,878
Public deposits after notice .....	151,358,795	152,005,027	156,534,264	139,528,801
Bank loans or deposits from other banks secured	50,740	.....	.....	11,000
Bank loans or deposits from other banks unsecured	3,555,058	3,714,488	3,605,693	3,581,511
Due other banks in Canada in daily exchanges ..	100,707	130,803	98,209	124,208
Due other banks in foreign countries .....	509,277	350,357	1,450,174	305,737
Due other banks in Great Britain .....	2,346,813	2,224,422	2,248,728	575,930
Other liabilities .....	<u>551,900</u>	<u>449,112</u>	<u>985,376</u>	<u>997,621</u>
Total liabilities .....	291,875,914	293,661,023	301,709,875	\$271,902,920

BANK STATEMENT WITH COMPARISON

ASSETS

Specie .....	\$ 9,277,098	\$ 9,086,993	\$ 8,757,736
Dominion notes .....	16,601,509	17,326,092	17,437,778
Deposits to secure note circulation .....	1,984,523	1,089,523	1,883,067
Notes and cheques of other banks .....	10,948,128	10,865,445	9,526,045
Loans to other banks secured .....	4,773,428	4,432,289	4,914,564
Deposits made with other banks .....	192,471	198,814	192,422
Due from other banks in Canada in daily exchanges .....	23,353,045	23,929,718	28,410,443
Due from other banks in foreign countries .....	13,085,537	14,287,430	16,579,039
Due from other banks in Great Britain .....	4,899,211	5,070,283	3,662,532
Dominion Government debentures or stock .....	34,188,523	34,382,101	29,778,402
Public municipal and railway securities .....	23,972,295	24,963,993	18,930,378
Call loans on bonds and stocks .....	224,928,415	229,261,061	205,723,909
Current loans and discounts .....	2,275,775	2,291,163	1,470,955
Loans to Dominion and Provincial Governments .....	2,525,641	2,438,170	3,391,838
Overdue debts .....	1,996,344	1,951,674	2,045,435
Real estate .....	588,895	594,895	580,863
Mortgages on real estate sold .....	5,876,765	5,895,464	5,696,742
Bank premises .....	2,469,396	2,818,046	2,139,633
Other assets .....	384,019,461	391,783,455	\$361,132,969
Total assets .....	7,372,172	7,663,040	\$7,562,652
Loans to directors or their firms .....	9,662,828	9,152,211	8,729,054
Average amount of specie held during the month .....	17,028,281	16,795,045	17,033,825
Average Dominion notes held during the month .....	40,796,003	44,024,625	42,303,141
Greatest amount of notes in circulation during month .....			

MONTHLY TOTALS OF BANK CLEARINGS at the cities of Montreal, Toronto, Halifax, Toronto, Halifax, Hamilton,  
Winnipeg and St. John

(000 omitted)

	MONTREAL		TORONTO		HALIFAX		HAMILTON		WINNIPEG		ST. JOHN	
	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8
December	\$ 51,033	\$ 56,509	\$ 33,146	\$ 35,986	\$ 5,547	\$ 5,386	\$ 3,051	\$ 3,094	\$ 7,736	\$ 9,784	\$ 2,566	\$ 2,738
January ..	43,577	60,334	31,117	37,836	5,135	5,009	2,863	3,028	5,009	6,347	2,200	2,417
February ..	38,480	62,332	24,592	33,414	4,208	4,446	2,591	2,663	3,851	5,517	2,016	2,022
March ...	40,654	62,043	26,073	39,012	5,215	5,285	2,799	3,021	4,289	5,968	2,144	2,148
April ....	45,092	50,003	28,236	33,035	5,077	4,472	2,900	2,858	4,161	6,240	2,314	2,254
May .....	46,600	56,475	29,059	34,374	5,270	4,798	2,655	2,932	5,014	8,683	2,430	2,513
June .....	54,616	59,471	29,842	36,960	4,792	4,997	2,544	3,001	5,531	7,397	2,566	2,592
July .....	52,831	60,423	33,892	35,727	6,308	5,851	2,638	3,117	5,616	6,316	3,116	2,927
August .....	49,240	55,578	29,640	32,390	5,554	5,551	2,442	2,655	6,298	6,180	2,874	2,059
September ..	55,080	61,856	32,466	33,932	5,164	4,919	2,971	2,773	8,035	6,414	2,620	2,508
October ..	59,340	66,354	35,736	38,349	5,817	5,408	2,970	3,103	13,291	9,347	2,498	2,498
November ..	59,166	67,246	34,211	39,125	5,580	5,154	2,878	3,147	13,550	11,553	2,660	2,660
	595,709	718,624	368,610	430,140	63,667	61,276	33,302	35,392	82,381	89,746	30,004	29,336