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# INDEX TO VOL. I.

# JOURNAL

OF THE

# CANADIAN BANKERS' ASSOCIATION.

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## BANKING IN CANADA.

PAPER READ BEFORE THE CONGRESS OF BANKERS AND FINANCIERS, AT CHICAGO, 23RD JUNE, 1893,


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In common with other social developments, modern banking is mainly the result of heredity and environment, and not of arbitrary legislation or the general admission in any wide degree of settled principles in the practice of banking. The student endeavoring to understand the science of banking, seeking to discover some body of principles underlying the practice of banking throughout the world, is confused by the radical differences between the systems of the various nations and the complicated nature of the conditions surrounding each of these systems. The most cherished dogma of one country is rank heresy in another. The principles suitable to an old country, with a compact population, a highly developed railroad and telegraph organization for the distribution of commodities and information, and wealth enough to be leaders to other nations, are not applicable to a new

country with a scattered population, imperfect means of distribution, and little wealth apart from fixed property—a country, indeed, requiring to borrow largely from older and wealthier communities.

Again, if in any country banking has been left to develop itself in accordance alone with the requirements of trade, or nearly so, that country has been fortunate in this respect as compared with others, where the national debt, caused by war or extravagances in public works, has been made the basis of the currency. Sometimes, however, the condition of the present environment in two countries may be in many respects similar, and yet a practice in banking which has worked out desirable results in one of these countries cannot be attempted in the other. The body of banking principles in the other country may be so different, because of hereditary influences, as to make it impossible by any kind of evolution to add the practice which has proved so serviceable elsewhere.

I am aware that there is nothing new in this point of view, but in attempting to speak on the subject of banking in Canada, I cannot avoid comparison with this great country where banking systems are being keenly discussed, and where it is admitted that changes, perhaps of a radical nature, are necessary. In contending for the comparative perfection of the Canadian system I do not wish to be understood as asserting that the points of superiority in our system could be adopted here. For over half a century banking in the United States has been following lines of development opposed in many respects to the Canadian system, and it may well be that no matter how desirable, it is too late to adopt our practices.

My main object, however, is to describe the banking of Canada, and to demonstrate, if I can, its suitability to the requirements of trade in that country and not its suitability elsewhere.

## BANK CHARTERS.

It has been occasionally urged by writers in financial journals published in the United States, that banking in Canada is a monopoly, and therefore unsuited to the democratic principles of this country. These writers have overlooked the fact that the

Province of Ontario, the centre of thought and progress in the Dominion, is the most democratic community in the British Empire, and that the legislation of Canada, whether in form or not, is in reality as liberal as it can well be. Banking in Canada is not in any sense a monopoly. Whether it can be said to be "free banking" as understood in the United States, depends on what is meant by that term. In the United States a certain number of individuals having complied with certain requirements—more numerous and complicated, by the way, than the Canadian requirements—become thereby an incorporated bank, if we regard the consent of the Comptroller of Currency as a matter of form. In Canada, merely in order to follow the British parliamentary methods, when a certain number of individuals have complied with certain requirements, they are supposed to have applied for a charter, which parliament theoretically might refuse, but which, as a matter of fact, would not be refused unless doubt existed as to the bona-fide character of the proposed bank. Then, as in the United States, on complying with certain other requirements and obtaining consent of the Treasury Board (performing in this case the same function as the Comptroller of Currency in the United States), the bank is ready for business.

The main difference in the matter of obtaining the privilege from the people to carry on the business of banking is that in Canada the subscribed capital must be $500,000, paid up to the extent of one-half, or $250,000, and this fact must be proved by the temporary deposit of the actual money with the Treasury Department. If it is contended that a monopolistic element is introduced by making the minimum paid-up capital $250,000, I have only to point to the varying minima of capital in the National banking system, based upon the population of the city or town where a bank is established. The minimum with us is placed so high because with the privilege to carry on the business of banking is attached the privilege to open branches and to issue a bank note currency not secured by special pledge with the government. In the opinion of many Canadians the minimum is too small. So much for the statement that banking is less "free" in Canada than in the United States. I think the very term "free banking," about which so much was written in

the antebellum days, is a misnomer; and I hope there are many here who agree with me that a little less of freedom in the ability to create a bank, and a little more knowledge on the part of the people regarding the true function of banking, and its high place in the world of commerce, would be for the public good. What we want is the most absolute evidence, when a bank is created, that its projectors are embarking in a bonâ-fide venture and have put at risk a sum considerable enough to ensure that fact.

In Canada, as in the United States, shareholders in banks are subject to what is known as "double liability." For the benefit of any of my hearers who may not understand the phrase, I will quote the section in full: "In the event of the property and assets of the bank being insufficient to pay its debts and liabilities, each shareholder of the bank shall be liable for the deficiency to an amount equal to the par value of the shares held by him, in addition to any amount not paid up on such shares."—(Sec. 89). I can remember when the practical value of this power to call on the shareholders in the event of the failure of a bank for a second payment to the extent of the subscribed amount of the shares was doubted by many. Shares were transferred just before failure to men unable to meet such calls and willing to be used in this manner, or shares were found to be held by men of straw who owed a corresponding amount to the bank. Or, again, many of the shareholders were borrowers for amounts far in excess of their holdings in shares, and the failure of the bank precipitated their failure as well. and they were thus unable to pay. Of course there were always some real investors among the shareholders, but the value of the double liability was a very variable and doubtful quantity. These features have not, as we know, all passed away, but we have done as much as we could to guarantee an honest share list and to prevent the shareholder from escaping his liability. Banks are not allowed to lend money on their own or the stock of any other Canadian bank, and as the minimum paid-up capital of $250,000 must be deposited with the Finance Department before a bank commences business, this should ensure a bona-fide capital at the start. All transfers of shares must be accepted by the transferee. No transfers within 60 days before failure avoid the double liability of the transferror unless the transferee is able to pay. A list of the shareholders in all

banks is published annually by the government, and this book is eagerly examined by investors to ascertain changes in the share list of banks which might indicate distrust. As the capital of each bank is large and the number of banks small relatively to the United States, there is, regarding everything connected with the credit of a Canadian bank, an amount of public scrutiny which leads to circumspection in the conduct of bank authorities. Again, the very fact that the capital is large and that the banks have many branches and a more or less national character, causes the stock to be widely held. In the largest banks the share list numbers from 1,800 to 2,000 names. We still, doubtless, have plenty of bad banking and will always have it. No legislative checks will prevent that, and even a severe public scrutiny will not altogether prevent it; but our banking history since the Confederation of the old provinces into the Dominion in 1867, shows that the double liability has been a most substantial asset, and has done much towards enabling liquidated banks to pay in full. In my own province of Ontario we have the fine record of no instance, save one, since Confederation in 1867, in which all creditors have not been paid in full.

In the case of this one blemish the dividends amounted to 99⅓ cents to depositors, only the unwarrantably high fees paid to the liquidators causing the dividend to fall below 100 cents. In the short life of this institution almost every sin in the calendar of banking had been committed.

### TERM OF THE CHARTER.

Under the United States National Banking system the life of a bank is limited to twenty years from the date of the execution of the particular bank's certificate of organization, but at the expiration of the first, or any succeeding period, the bank, if it elects to do so, may have its corporate existence renewed for the same number of years. Under the Canadian system the charter of every bank expires at the same time, and the renewal period is only ten years. I do not intend to discuss the length of the period —most of us think it quite too short. It is the effect of all charters expiring at the same time to which I desire to draw your attention. This condition of things doubtless arose merely from the confederation in 1867 of the provinces which had granted the then

existing charters, but which thereupon surrendered their authority over banking institutions to the Federal Government. As the charters granted by the old provinces expired, the banks working under them became institutions subject to the new Federal or Dominion Banking Act, and by its conditions every charter expires at the same time. This ensures a complete discussion of the principles underlying the Act, and of the details connected with the working of it, once in ten years. In the interval we are almost free from attempts by demagogues or ambitious but ill-informed legislators to interfere with the details of our system, but during the session of Parliament preceding the date of the expiry of the charters we have to defend our system from the demagogue, the bank-hater, the honest but inexperienced citizen who writes letters to the press, sometimes the press itself—indeed from all the sources of attack which institutions possessing a franchise granted by the people experience when they come before the public to answer for their stewardship. But while resisting the attacks of ignorance, we are, of course, called upon to answer such just criticism as may arise from the existence of defects in our system developed by the experience of time. Or perhaps, as when the Act was under discussion in 1890, we may see the defects even more clearly than the public, and may ourselves suggest the remedies. Whatever may be said for or against these decennial battles, the product of the discussion is a Banking Act, improved in many respects by the exchange of opinion between the bankers and the public. The banking system having been subjected to unsparing analysis by an unusually enlightened people—perhaps too democratic in tendency and too jealous of every privilege granted, but anxious to build rather than to destroy—is brought at each period of renewal to a higher degree of perfection.

### BANKING PRINCIPLES.

What is necessary in a banking system in order that it may answer the requirements of a rapidly growing country and yet be safe and profitable?

1. It should create a currency free from doubt as to value, readily convertible into specie, and answering in volume to the requirements of trade. In saying this I do not wish to be under-

stood as asserting that banks should necessarily enjoy the right to issue notes. Whether they should or should not issue notes must always, I presume, end in a discussion as to expediency in the particular country or banking system.

2. It should possess the machinery necessary to distribute money over the whole area of the country, so that the smallest possible inequalities in the rate of interest will result.

3. It should supply the legitimate wants of the borrower, not merely under ordinary circumstances, but in times of financial stress, at least without that curtailment which leads to abnormal rates of interest and to failures.

4. It should afford the greatest possible measure of safety to the depositor.

We think in Canada that our system possesses all these qualities, and we are confident that we have a currency perfectly suited to our trade and other requirements. We have not, however, arrived at our present reasonably comfortable condition by any other process than the usual slow development from a past full enough of error and bitter experience.

## HISTORICAL SKETCH.

It is perhaps not generally known that we were among the first in modern times to issue *fiat* paper-money for general circulation. In 1685, in the time of the French regime in Canada, the Intendant could not pay his soldiers. The little straggling colony, after the manner of all new countries, was an absorbent of money, and France was nearly bankrupt and could afford no aid. So the Intendant, left to his wits alone and having a helpless people to deal with, cut playing cards into small pieces, wrote thereon his promises to pay, accompanied by the seal of France, and thus led the way in North America in this seductive method of paying debts. For the next thirty years this was the money of Canada. Although always written, because the people would not have accepted printed promises to pay, the volume rose to about $20 per head, when the usual results of *fiat* money followed. It was compromised, and the Government promised never to repeat the experiment. The poor colony, left with no regular currency, struggled for a time, but in 1729, at the request of the people, card money was issued again. They had now some experience,

but did not understand how to draw lessons from it, and the amount issued was so excessive that when the British took Quebec, and assumed the government of Canada, one of the most troublesome features in the settlement with France was the arrangement for the retirement of this currency. It would have been well if this complete exposition, although on such a small scale, of the unsoundness of *fiat* money, had served for all North America. Mr. Sumner says there was a bank in Massachusetts as early as 1686 which may have issued notes, but there is a story in this connection so picturesque that I hope it is true. A couple of Massachusetts fur traders are supposed to have visited Canada a few years after the card money first appeared, and to have reported at home the prosperity resulting from the experiment, and so when the military expedition against Canada was organized in 1690, what more natural than that Massachusetts should have paid the cost in the first of that currency, which in its final stages of collapse has given our language that expressive phrase, "not worth a continental?" We were even smaller, relatively, in population then than we are now, yet apparently you did not hesitate to adopt a very bad feature in our development. If we have anything to-day in our financial conditions worth your attention, I hope it will not the less merit your approval because the development is on such a small scale. Sound or unsound principles are perhaps more easily detected when a system has not become complicated beyond the capacity for analysis of the ordinary individual.

I will now, in as few words as possible, finish the historical sketch which is necessary to the clear understanding of our currency and banking as it exists at present. Shortly after you organized a bank in Philadelphia in 1781 and another in New York in 1784, the merchants of Quebec and Montreal began to agitate for a bank of issue. In those days a bank without the power to issue notes was of little use; but the people of Canada having very strong opinions on this subject, the attempt was a failure, although in 1792 a private bank of deposit resulted. The merchants tried again with the same result in 1807-8. But during the war of 1812 the Government found it necessary to issue some kind of paper money, and an Army Bill Office was created. These were the first paper notes put in circulation in Canada under

British authority, and as they were paid in full, the people must have been at last convinced that all paper money was not bad. In the Province of Nova Scotia, not then joined with us in the Dominion of Canada as it is now, Treasury notes were also issued in 1812. At the same time banking was growing rapidly in Great Britain and the United States, and in 1817 our first joint stock bank was created—that great institution of which we are all so proud, and which I am sure has done its share in making Chicago what it is to-day—the Bank of Montreal.

From 1817 to 1825, two banks were established in Lower Canada (Quebec), and one each in Upper Canada (Ontario), New Brunswick, and Nova Scotia, all now doing business except one.

I will not attempt to follow the course of banking in the old provinces, but it is necessary to indicate the condition of banking and currency at the time of the Confederation of the provinces into the Dominion of Canada in 1867. There were thirty-nine charters, but only twenty-seven banks doing business. The charters expired at various dates from 1870 to 1892, and varied in accordance with the views regarding banking in the different provinces. In Upper and Lower Canada (Old Canada), shareholders were liable for double the amount of their stock, except that there was one bank *en commandite*, the "principal partners" having unlimited personal liability. In most cases notes could be issued equal to the paid-up capital *plus* specie and Government securities held. In New Brunswick charters had been granted without the double liability, but the principle was being insisted on in renewals, while in Nova Scotia in the opinion of some there was no double liability. In Old Canada and Nova Scotia, as a rule, total liabilities were restricted to three times, and in New Brunswick to twice the amount of capital. There was also one bank with a royal charter, head office in England, and shareholders not under double liability. The situation was further complicated by the "Free Banking Act," under which notes could be issued secured by deposit of Government debentures, and by the legal tender issues of the Governments of Old Canada and Nova Scotia. In 1866-67 two of the largest banks in Upper Canada failed, resulting in a very severe financial crisis.

Under these conditions, and after tentative legislation in 1867 and 1870, the first general Bank Act of the Dominion was passed

in 1871 (34 Vict., c. v.) It confirmed the special features in the bank working under a royal charter, and that with "principal partners" personally liable, and it will be understood in any statements hereafter regarding banks as a whole that these institutions are not referred to. As the charters of other banks expired they were renewed under the Dominion Act. The first Act extended all charters for ten years, which practice has been followed thus far. There were various amendments during the first few years, but since then changes have been infrequent, except at the regular revisions in 1880 and 1890. The Act hereafter referred to is that assented to May, 1890, and which came into force July, 1891. (53 Vict., c. xxxi.)

NOTE ISSUES.

In the successive Banking Acts of the Dominion Parliament banks have been empowered to issue circulating notes to the extent of the unimpaired paid-up capital. By the first Act the note-holders had no greater security than the depositors and other creditors. At the renewal of charters in 1880, the circulating note was made a prior lien upon all assets; and at the last renewal in 1890 the banks, at their own suggestion, were in addition required to create in two years a guarantee fund of 5 per cent upon their circulation, to be kept unimpaired, the annual contribution, however, if the fund is depleted, to be limited to 1 per cent. The fund is to be used whenever the liquidator of a failed bank is unable to redeem note issues in full after a lapse of sixty days. Notes of insolvent banks are to bear 6 per cent interest from the date of suspension, until the liquidator announces his ability to redeem. Banks are also required to make arrangements for the redemption at par of their notes in the chief commercial cities in each of the provinces of the Dominion. The change in 1880 was caused by the failure of a small bank with a circulation of about $125,000, paying all creditors, note-holders included, only 57½ per cent. The change in the Act now in force was due to the demand for a currency which would pass over the entire Dominion without discount under any circumstances. The history of banking in Canada since Confederation shows no instance in which a depletion of such a guarantee fund would have occurred. Fines from $1,000 to $100,000 may be imposed for the over-issue of notes.

The pledging of notes as security for a debt, or the fraudulent issue of notes in any shape, renders all parties participating liable to fine and imprisonment. As the crown prerogative to payment in priority to other creditors had been set up on behalf of both Dominion and Provincial Governments, the Act places the claims of the Dominion second to the note issues, and those of the provinces third. Notes of a lesser denomination than $5 may not be issued, and all notes must be multiples of $5. Notes smaller than $5 are issued by the Dominion Government.

The distinctive features, therefore, of our bank note issues are :—

(*a*) They are not secured by the pledge or special deposit with the Government of bonds or other securities, but are simply credit instruments based upon the general assets of the banks issuing them.

(*b*) But in order that they may be not less secure than notes issued against bonds deposited with the Government, they are made a first charge upon the assets.

(*c*) To avoid discount for geographical reasons each bank is obliged to arrange for the redemption of its notes in the commercial centres throughout the Dominion.

(*d*) And, finally, to avoid discount at the moment of the suspension of a bank, either because of delay in payment of note issues by the liquidator or of doubt as to ultimate payment, each bank is obliged to keep in the hands of the Government a deposit equal to five per cent on its average circulation, the average being taken from the maximum circulation of each bank in each month of the year. This is called the Bank Circulation Redemption Fund, and should any liquidator fail to redeem the note of a failed bank, recourse may be had to the entire fund if necessary. As a matter of fact, liquidators almost invariably are able to redeem the note issues as they are presented, but in order that all solvent banks may accept without loss the notes of an insolvent bank, these notes bear six per cent interest from the date of suspension to the date of the liquidator's announcement that he is ready to redeem.

I have already stated, in attempting to outline what is necessary in a banking system in order that it may answer the requirements of a rapidly growing country, that "it should create a

currency free from doubt as to value, readily convertible into specie and answering in volume to the requirements of trade." In an admirable paper on "The Note Circulation" read in December, 1889, before the Institute of Bankers, in London, England, by MR. INGLIS PALGRAVE, only two requisites in a note circulation are directly stated as essential: "First, that it should be completely secured. Second, that it should be readily convertible into metallic money." But the discussion which follows bears directly upon a third requisite, that it should answer in volume to the fluctuating requirements of trade, in a word that it should be elastic. This last is a much less important point, however, in England, than in North America.

In discussing bank issues I will reverse the order in which the three requirements are placed in MR. PALGRAVE'S paper and the ensuing discussion, and take up the question of elasticity first. I shall not attempt to discuss the many and conflicting views held regarding paper money, its use and abuse, and whether there is any scientific basis for its issue; but I shall endeavor to show to what extent it seems possible for note issues in North America to have a scientific basis with regard to elasticity. In Canada, as in the United States, the resulting difference in business transactions, after cheques and all other modern instruments of credit have been used, is almost entirely paid in paper money. It is therefore of the greatest importance that the amount of this paper money existing at any one time, shall be as nearly as possible just sufficient for the purpose. That is, that there shall be a power to issue such money when it is required, and also a power which forces it back for redemption when it is not required.

I may, therefore, I think, safely lay it down as a principle that: (1) There should be as complete a relation as possible between the currency requirements of trade and whatever are the causes which bring about the issue of paper money; (2) and, as it is quite as necessary that no over-issue should be possible, as that the supply of currency should be adequate, there should be a similar relation between the requirements of trade and the causes which *force notes back* for redemption.

Now, certainly, one of the *causes* of the issue of bank notes is the profit to be derived therefrom, and it is clear that an amount sufficient for the needs of trade will not be issued unless it is

profitable to issue. Likewise it is clear that it should not be possible to keep notes out for the sake of the profit if they are not needed.

In Canada, bank notes, as we have seen, are secured by a first lien upon the entire assets of the bank, including the double liability, the security being general and not special—not by the deposit of Government Bonds, for instance. Therefore it is clear that it will always pay Canadian banks to issue currency when trade demands it. Because bank notes in Canada are issued against the general estate of the bank, they are subject to daily *actual* redemption; and no bank dares to issue notes without reference to its power to redeem, any more than a solvent merchant dares to give promissory notes without reference to his ability to pay. The presentation for actual redemption of every note not required for purposes of trade, is assured by the fact that every bank seeks by the activity of its own business to keep out its own notes, and therefore sends back daily for redemption the notes of all other banks. This great feature in our system as compared with the National Banking System*, is generally overlooked, but it is

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* It may be well to explain that while the note issued by a United States National Bank is nominally redeemable at the counter of the bank issuing it, it is practically not so redeemed, nor does actual redemption by the Bank take place, unless by the accident of the note being paid in across its counter along with the issues of other National Banks.

If a National Bank wishes to recover from the Government the bonds deposited as security for its notes, it is not required to return the actual notes issued, but can withdraw its bonds on the deposit of the necessary amount in any lawful money.

The National Bank currency is issued by several thousand banks and from the time when a note is first put in circulation it practically loses its specific character and becomes a mere part of the aggregate of such currency. It is true each bank keeps with the Government a fund amounting to five per cent. of its circulation, out of which the Government redeems any notes which may be presented, but the chief use of this fund is to rid the currency of mutilated, dirty, or worn out notes.

Although not actually a legal tender each National Bank is required to accept them for all debts due, except duties on imports, and may pay them out for all Government expenditures except interest on the public debt. What follows from this is obvious. So long as there is no distrust regarding the ability of the United States Treasury to redeem, redemption is not sought by anyone. It is to be remembered that in the United States (as in Canada) gold practically does not circulate as money. Apart from distrust

because of this daily actual redemption that we have never had any serious inflation of our currency, if indeed there has ever been any inflation at all. Trade, of course, becomes inflated, and the currency will follow trade, but that is a very different thing from the existence in a country of a great volume of paper money not required by trade. I will not discuss at length this quality of elasticity in our system, because it is generally admitted. But some critic may endeavor to show that a similar quality might be given to a currency secured by Government bonds. In the older countries of the world it may be sufficient if the volume of currency rises and falls with the general course of trade over a series of years, and without reference to the fluctuations within the twelve months of the year. In North America it is not enough that the volume of currency should rise and fall from year to year. In Canada we find that between the low average of the circulation during about eight months of each year and the maximum attained at the busiest period of the autumn and winter, there is a difference of twenty per cent., the movement upward in the autumn and downward in the spring being so sudden that without the power in the banks to issue, in the autumn serious stringency must result, and without the force which brings about redemption in the spring there must be plethora. As a matter of fact it works automatically, and there is always enough and never too much.

If our currency were secured by Government bonds the volume in existence at any one time would be determined by the profit to be gained by the issue of such bond-secured currency. It would, therefore, be necessary to fix a maximum beyond which no currency could be issued, but as such an arbitrary limit would be mere legislative guess work, it would be productive of the evils incident to all efforts to curb natural laws by legislation. As we all know, when the National Bank charters were offered by the Federal Government to the State Banks, the bonds of the

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no bank would desire to encumber itself with gold as compared with United States notes or United States National Bank notes.

When gold is wanted for export it is obtained at the moment and almost invariably from the one source—the Government Treasury—in exchange for Treasury certificates representing gold previously lodged or for United States legal tender notes.

United States bore 5 to 6 per cent interest, and the business of issuing currency against such bonds was so profitable that a maximum such as I have referred to was fixed, with an elaborate provision stating how the banking charters were to be distributed as to area, in order that each State or section of country might have a fair share. This was followed by several adjustments, the last limit being $354,000,000, no one being satisfied with the interference with free banking, and the cry of monopoly being frequently heard. Subsequently the maximum was abandoned; indeed the business of issuing notes against Government bonds had become unprofitable and there was no longer any fear of inflation.

The condition in the United States under which the issue of currency was unduly profitable, and the fear of inflation was present, did not actually last many years, but it lasted long enough to create in the people a hatred of banks which does not seem yet to have quite passed away. The condition which followed showed, it seems to me, conclusively the unsoundness of the system in the matter of providing an elastic currency, a currency *at all times* adequate in volume. The currency wants of the country increased with the great increase in population, but the volume of National Bank currency decreased because by the repayment of the national debt and the improvement in the national credit the bonds which remained outstanding yielded so low a rate of interest as to make the issue of National Bank notes unprofitable. The Comptroller's statement shows that the volume of circulation secured by United States bonds, which ranged from 1866 to about 1880 at from about $300,0000,000 to $350,000,000, has declined until the amount subject to redemption by the banks is now only about $130,000,000. The moral of this is plain. If the Government bonds yields such a low rate of interest as to make it unprofitable to issue currency, banks will not provide sufficient currency for the wants of the country. I need not remind an American audience that it was this unfortunate contraction which to a great degree made it possible for the Bland Act silver issues, from 1878 to 1890, to create so little financial disturbance.

I hope I have made it clear that if the business of issuing currency against Government bonds were profitable, too much currency would be the result; and if it were unprofitable, too little would be issued. We would require to have a condition of things

under which the profit of issuing notes would at all times bear an exact relation to the amount of currency required by the country, the profit therefore changing not only as the currency rises and falls over a series of years, but at the time of the sharp fluctuations within each year, already referred to. No such relation, however, could very well exist with an issue based upon Government bonds.

The next quality in a currency to be considered is, "That it should be readily convertible into metallic money." I do not propose to discuss this at length. As I have pointed out, our safety lies in the actual daily redemption which arises out of our circulation being generally instead of specially secured. This is the best possible safeguard against suspension of specie payments. The United States National Banking System was created during a suspension of specie payments, and doubtless would never have been heard of but for that fact.

My last point is that placed first by MR. PALGRAVE in his discussion with the English bankers: "That the currency should be completely secured." I do not know whether we are to understand also that a note must pass throughout the entire country without discount for any reason, but I include that in the point to be discussed. Now, I contend that it is better for the reasons given, that bank issues should be based for security on the general assets of the bank, with a prior lien to other creditors; and also, that taking the world as a whole, such notes will be actually safer because the effect of a system of notes secured by Government bonds—a loan forced by the Government, practically—must sometimes be to produce national bankruptcy, as in the case of the Argentine Republic. Still, I cheerfully admit that the United States National Banking System has taught us that a currency issued by banks may be made to pass over the entire area of a great nation without discount. This is a great quality in currency. To the ordinary individual, who knows and cares little about banking except as it affects the bank note he happens to carry in his pocket, it appears to be the one quality necessary.

In Canada, experience has shown that as long as the notes are a prior lien on the assets of the bank, including the double liability, ultimate loss is scarcely possible,—has not at all events occurred as yet. To secure a circulation—at the close of December,

1892, of $36,194,023—the banks had assets of $305,730,910, to which the double liability of $63,169,643 is to be added, making a total of $368,900,553 or $10.19 of assets against every dollar of currency. It has been pointed out, however, that the assets are not thus aggregated against the circulation, and that all banks are not as secure as these figures seem to show. But the security in this respect, in regard to each bank, varies little from the general average, the lowest percentage being 6.18 as against the general average of 10.19. The lowest percentage applies to but two or three small banks, none others falling below about $8 for every dollar of circulation. To this we have added the five per cent guarantee fund applicable in its entirety to meet the notes of any individual bank.

### THE BORROWER AND THE BRANCH SYSTEM.

In discussing the banking systems in older countries, the borrower is not often considered. Men must borrow where and how they can, and pay as much or as little for the money as circumstances require. I believe too strongly in the necessity for an absolute performance of engagements, to think that it is a requirement in any banking system that it shall make the path of the debtor easy. Every banker should discourage debt, and keep before the borrower the fact that he who borrows must pay or go to the wall. But in America the debtor class is apt to make itself heard, and I wish to show what our branch system does for the worthy borrower as compared with the United States National Banking System.

In a country where the money accumulated each year by the people's savings does not exceed the money required for new business ventures, it is plain that the system of banking which most completely gathers up these savings and places them at the disposal of the borrowers, is the best. It is to be remembered that this involves the savings of one slow-going community being applied to another community where the enterprise is out of proportion to the money at command in that locality. Now, in Canada, with its banks with forty and fifty branches, we see the deposits of the saving communities applied directly to the country's new enterprises in a manner nearly perfect. The Bank of Montreal borrows money from depositors at Halifax and many

points in the Maritime Provinces, where the savings largely exceed the new enterprises, and it lends money in Vancouver or in the Northwest, where the new enterprises far exceed the people's savings. My own bank in the same manner gathers deposits in the quiet unenterprising parts of Ontario, and lends the money in the enterprising localities, the whole result being that forty or fifty business centres, in no case having an exact equilibrium of deposits and loans, are able to balance the excess or deficiency of capital, economizing every dollar, the depositor obtaining a fair rate of interest, and the borrower obtaining money at a lower rate than borrowers in any of the colonies of Great Britain, and a lower rate than in the United States, except in the very great cities in the East. So perfectly is this distribution of capital made, that as between the highest class borrower in Montreal or Toronto, and the ordinary merchant in the Northwest, the difference in interest paid is not more than one to two per cent.

In the United States, as we know, banks have no branches. There are banks in New York and the East seeking investment for their money, and refusing to allow any interest because there are not sufficient borrowers to take up their deposits; and there are banks in the West and South which cannot begin to supply their borrowing customers, because they have only the money of the immediate locality at their command, and have no direct access to the money in the East, which is so eagerly seeking investment. To avoid a difficulty which would otherwise be unbearable, the western and southern banks sometimes rediscount their customers' notes with banks in the East, while many of their customers, not being able to rely on them for assistance, are forced to float paper through eastern note-brokers. But, of course, the western and southern banks wanting money, and the eastern banks having it, cannot come together by chance, and there is no machinery for bringing them together. So it follows that a Boston bank may be anxiously looking for investments at four or five per cent, while in some rich western state ten and even twelve per cent is being paid. These are extreme cases, but I have quoted an extreme case in Canada, where the capital marches automatically across the continent to find the borrower, and the extra interest obtained scarcely pays the loss of time it would take to send it so far, were the machinery not so perfect.

As I have indicated, it should be the object of every country to economize credit, to economize the money of the country so that every borrower with adequate security can be reached by some one able to lend, and the machinery for doing this has always been recognized in our banks. That is surely not a perfect system of banking under which the surplus money in every unenterprising community has a tendency to stay there, while the surplus money required by an enterprising community has to be sought at a distance. But if by paying a higher rate of interest, and seeking diligently, it could always be found, the position would not be so bad. The fact is that when it is most wanted, distrust is at its height, and the cautious eastern banker buttons up his pocket. When there is no inducement to avert trouble to a community by supplying its wants in time of financial stress, there is no inclination to do so. The individual banks, East or West, are not apt to have a very large sense of responsibility for the welfare of the country as a whole, or for any considerable portion of it. But the banks in Canada, with thirty, forty, or fifty branches, with interests which it is no exaggeration to describe as national, cannot be idle or indifferent in time of trouble, cannot turn a deaf ear to the legitimate wants of the farmer in the prairie provinces, any more than to the wealthy merchant or manufacturer in the East. Their business is to gather up the wealth of a nation, not a town or city, and to supply the borrowing wants of a nation.

There was a time in Canada, about twenty years ago, when some people thought that in every town, a bank, no matter how small, provided it had no branches, and had its owners resident in the neighborhood, was a greater help to the town than the branch of a large and powerful bank. In those days, perhaps, the great banks were too autocratic had not been taught by competition to respect fully the wants of each community. If this feeling ever existed to any extent, it has passed away. We are, in fact, in danger of the results of over-competition. I do not know any country in the world so well supplied with banking facilities as Canada. The branch system not only enables every town of 1,000 or 1,200 people to have a joint stock bank, but to have a bank with a power behind it generally twenty to fifty times greater than such a bank as is found in towns of similar size in the United States would have.

But one of the main features of the branch system is connected intimately with our power to issue notes based upon the general assets of the bank. When the statement of a large Canadian bank is examined by an American banker, the comparatively small amount of actual cash must be noticeable. He will notice that the bank is careful to have large assets in the United States which may be taken back to Canada in times of financial strain there, and large assets in convertible shape at home, but having regard to actual cash as the machinery for carrying on the business at the counter, how can a bank with forty or fifty branches get along with so little cash? The simple answer is that the tills of our branches are filled with notes which are not money until they are issued, and which, therefore, save just that much idle capital and just that much loss of interest.

### THE DEPOSITOR.

The legal position of the depositor is about the same in both countries. The note-holder's claim is preferred to his. We must not, however, expect that any government will relieve a depositor from the necessity of using discretion as to where he places his money. Governments never have done and never can do that. Men must look around, and after measuring the security offered, judge where they should entrust their money. It is perhaps easier for a man with limited intelligence to make a selection if the banks have large capital and are of semi-national importance, provided, of course, the basis of the system is not unsound, as in Italy and Australia. In Canada, we do not borrow from abroad, although we would not object to do so if money could be obtained at low enough rates of interest; our banks have large capital and small deposits relatively, and we do not lend on real estate. The Government statement at 31st December, 1892, shows that before depositors having claims amounting to $180,000,000 can suffer, shareholders must lose in paid-up stock and double liability as much as $126,000,000, and $25,000,000 of surplus funds, in all $151,000,000. There is probably no country in the world where greater security is offered to depositors.

When our charters were under discussion two or three years ago, I had occasion to defend our system, and I have copied freely from a pamphlet written by me at that time. I must not, there-

fore, omit to repeat a statement made then, which might excite criticism more readily, now that the banking system of Australia has collapsed. In making a comparison between individual banks with small capital, and banks with branches and large capital, I urged that:—

"The probability of loss to the depositor in one bank with "several millions of capital, is less than the probability of loss to "*some* of the depositors in ten or twenty small banks, having *in* "*the aggregate* the same capital and deposits as the large bank."

The retort will be quickly made:—"But if the large bank fails, the ruin will be just so much the more widespread."

This is quite true, but while it appears to be an answer to the point it is not. If the condition of two countries are about the same and the ability of the bankers and the principles of the banking system, are in other respects equally excellent, it must still remain true that the *probability* of loss to the depositors in one or more of the ten or twenty small banks is greater than the *probability* of loss to any of the depositors in the one large bank.

There are some features in our deposit business which may be interesting to American bankers. There are perhaps not half a dozen savings banks, as the term is understood in North America, in the whole of Canada, and those only in the largest cities, and there is really little need for the existence of any. The Government carries on the Post Office Savings Bank system, copied in some respects from Great Britain. It is unnecessary and unsuited to our country, but it perhaps affords the very ignorant a refuge from the dread of bank failures. The safe-guards always necessary when a government undertakes to carry on a regular business are so many and so tedious that the leading banks do not find it necessary to allow as high a rate of interest as the Government.

In addition to the Government we have as competitors for deposits the companies authorized to lend on real estate. Most of those companies, however, now borrow only on debentures at fixed periods. Some of this money is borrowed in Great Britain, but much of it is obtained at home. I may say here that while, as with you, banks have fortunately no power to lend on real estate, the restriction is perhaps no longer necessary, as land banking and mercantile banking are clearly separated in the

minds of every intelligent man of business in Canada. And as the banks do not buy paper made for the purpose of obtaining money, as you do in the United States, but loan only to their own customers, supplying their entire wants, and seeing that the money is to make or move some product about to be sold, we do not so often discover that we have unwittingly been booming a corner lot, building a mill, or helping to float a company.

Returning from this digression to the subject of deposits, I have to deal with the objection, present I am sure in the minds of many of my hearers, that we pay interest on deposits. I am aware that many eminent bankers in the United States have expressed the opinion very decidedly that it is inconsistent with sound banking to pay interest on deposits. On the other hand, bankers in Great Britain and in Canada would say that any system of banking which will not afford interest on *certain classes* of deposits is unsound. I must hold with this latter opinion. It is entirely a question of the character of the deposit. Well managed Canadian banks do not give interest on active current accounts. But all Canadian banks issue interest bearing receipts, and, as you will have gathered, all, or almost all have Savings Departments. These deposits, great or small, are in the nature of investments by the depositor, and are not like the temporary balances of a merchant. They are entitled to interest. It is of vital importance to every nation that its people should have the saving habit. It is also of vital importance that all the money disbursed for labor, or to the farmer or otherwise, should find its way back as early as possible into the channels of commerce. Will it find its way back unless interest is offered for it? It will be said that the ordinary savings bank is the proper organization to take care of such deposits. So far as the very large cities are concerned this may be quite true. The mercantile banks of Chicago would not like to have been the creditors of the excited savings bank depositors who clamored for their deposits a few weeks ago. But is the ordinary savings bank an effective instrument for collecting the miscellaneous savings of the smaller communities? I think not. Be this as it may, we by our branch system, with the savings department added, provide in small towns where the ordinary savings bank is impossible, a secure place of deposit, and the quite large deposits of our leading banks

are certainly the accumulation of tens of thousands of such depositors.

Banks are required once a year to make a return to the Government, which is published as a blue-book, of all unclaimed dividends, deposits or other balances of five years standing.

### BANK INSPECTION.

We have in Canada no public bank examiner as in the United States, nor are our annual statements audited as in Australia. When the audit system was proposed we resisted because we felt that it pretended to protect the shareholders and creditors, but did not really do so, and if the audit did not really protect it seemed better that shareholders and creditors should not be lulled by imaginary safeguards, but be kept alert by the constant exercise of their own judgment. So far as we have ever discussed with the Government the question of public bank examiners, apart of course from denying the necessity for anything of the kind, we have confined our arguments to pointing out the impracticability when banks have many branches. This may in the minds of some, constitute an argument against branch banking. I simply state the facts. But we say that, while it may be very well—if it really does lessen bank failures—to have public examiners for the protection of the people, it is much more necessary with branch banking to have bank examiners, or as we call them, inspectors, on behalf of the executive of the bank. And I am aware that the practice is growing in the United States where everything is under one roof. When it comes to the quality of the work done by our inspectors, I would not admit that anything could well be better. In my own bank it takes five trained men an entire year to make the round of all the branches. Some of these officers devote themselves to the routine of the branches, verifying all cash, securities, bills, accounts, etc., testing the compliance of officers with every regulation of the bank, reporting on the skill and character of officers, etc., while the chiefs devote themselves to the higher matters, such as the quality of the bills under discount, loans against securities, indeed the quality and value of *every* asset found at the branch. They also deal with the growth and profitableness of the branch, its prospects, etc. Now all these matters have already passed the judgment of the branch

manager, and the more important have been referred to and approved by the executive, so that it may be said that three different judgments are passed upon the business of the branch. But it will be said that the chief inspector may be under the sway of the executive and his reports a mere echo of the opinion of the latter. This is quite true—the reports may be dishonest. We do not tell the public that the inspector is specially employed for its protection. He, like the general manager, is merely a part of the bank's machinery for conducting business, and the public is left to judge of the bank by its chief officers, its record in the past, its *entourage.*

Our banks make a very full return to the Government at the close of each month. These are published during the month and are keenly discussed by the public. The Deputy Minister of Finance has the power to call for statements of any character at any time.

In the larger banks the officers insure their fidelity by funds established within the bank. Many of the banks also have funds for the superannuation of their officers.

### RESERVES.

If my paper were not already too lengthy I would like to have discussed the question of reserves. You will not perhaps be astonished to learn that we hold with the majority of the banking world outside of the United States against fixed reserves. With us no reserves are actually required by law. The cash reserve in gold and legal tenders has averaged for some years about ten per cent., but you will remember that our till money is almost entirely supplied by the bank note circulation. The smaller banks keep their available resources in securities, call loans at home and balances with their bankers in Montreal and New York. The large banks, as you know, in addition to their securities and call loans in Canada, lend largely on easily liquidated securities in the United States.

The change making notes, those of denominations less than $5, are issued by the Dominion Government. The settlements at the clearing houses are made in legal tenders, notes of large denominations being issued by the Government for the purpose. Forty per cent. of whatever cash reserve a bank may keep must be in

Dominion legal tenders, a provision entirely in the interest of the Government, and so unworthy of our otherwise creditable system that we must hope our Government will some day relieve us of such an unscientific arrangement.

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## PRIZE ESSAY COMPETITION BETWEEN ASSOCIATES OF THE CANADIAN BANKERS' ASSOCIATION.

*Award of Committee, May 20th,* 1893.

### SUBJECT No. 1.

(*For Accountants and Managers of not over two years' standing.*)

"STATE ALL THE POINTS CONNECTED WITH AN ENDORSER EITHER WHEN THERE IS ONE OR MORE THAN ONE, AND THE DIFFERENCE BETWEEN THE SECURITY OF A GUARANTEE AND AN ENDORSEMENT."

First Prize, $100.. "Banker & Customer".. MR. V. C. BROWN, Canadian B'k of Commerce.

Second Prize, $60.. "Sailing Ship"..... MR. W. M. RAMSAY, Merchants Bank of Canada.

### SUBJECT No. 2.

(*For Officers not above the rank of Accountants.*)

"STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY TELLER WITH REGARD TO CHEQUES OR ANY OTHER FORM OF PAYMENT, AND DEPOSITS OR ANY OTHER FORM OF RECEIPT; ALSO OTHER MATTERS IN WHICH HE HAS TO DEAL WITH CUSTOMERS ACROSS THE COUNTER, AND ESPECIALLY HOW HE CAN ADVANCE THE INTERESTS OF HIS EMPLOYER."

First Prize, $50.. "Semper Eadem"..... MR. R. W. CROMPTON, Canadian Bk. of Commerce.

Second Prize, $25.. "Qui non proficit..... MR. J. W. HAMILTON,
(two) deficit" Bank of B. North America.
..... $25.. "Cautionary Boldness".. Mr. J. M. MCPHERSON, Molsons Bank.

The following competitors obtained Honorable Mention in their respective subjects, and a special prize, and their papers will appear in the next number of the *Journal*:—

SUBJECT No. 1.

Special Prize, $20.. "Fac et Spera"..... .... MR. T. E. MERRETT, Merchants' Bank of Canada.

Do. $20.. "Reader".... ..... MR. W. A. ALLAN, Merchants' Bank of Canada.

Do. $20.. "Awake"..... MR. C. C. KIPPEN, Merchants' Bank of Canada.

SUBJECT No. 2.

Special Prize, $10.. "Country Teller"..... MR. GEO. MUNROE, Merchants' Bank of Canada.

Do. $10.. "Bordereau"..... MR. E. P. HAY, Canadian B'k of Commerce.

Do. $10.. "Lazarus"..... MR. J. B. PEAT, Canadian B'k of Commerce.

Do. $10.. "Deo Juvante"..... MR. F. G. OLIVER, Merchants' Bank of Canada.

Do. $10.. "He does well who does his best"... ..... MR. H. E. CHANDLER, Canadian B'k of Commerce.

## PRIZE ESSAY.

STATE ALL THE POINTS CONNECTED WITH AN ENDORSER, EITHER WHEN THERE IS ONE OR MORE THAN ONE, AND THE DIFFERENCE BETWEEN THE SECURITY OF A GUARANTEE AND AN ENDORSEMENT.

Paper by MR. VERE. C. BROWN,

*Canadian Bank of Commerce.*

I read the first part of the subject to call for a statement, naturally in any event from a banker's point of view, of the *legal* position of an endorser, but doubts have been raised as to whether it is not intended to embrace a discussion of the points that arise in considering the responsibility of an endorser as to means, character, etc., and I have thought it well to add a line, necessarily exceedingly brief, in that connection.

### CONCERNING THE GENERAL LAW RELATING TO AN ENDORSER.

The principle underlying the law relating to Bills of Exchange is that they shall, as far as possible, carry the obligations of the parties to them that are expressed on their face, so that the free movement of these "wheels of commerce" may not be impeded by any uncertainties as to their validity that can, without undue harshness to individuals, be removed. And this principle is therefore the key to much of the law governing the position of an endorser.

### WHEN AN ENDORSER IS HELD AS SUCH.

Without going so far back as to actually define an endorser it may be well to state the following points:

The delivery of a bill or note after endorsement must be with the endorser's consent to render him liable to an immediate party; but to a holder in due course good delivery is presumed, excepting where a bill has been stolen, in which case the endorser is not liable to anyone.

Where bills or notes not payable to bearer are delivered up for a valuable consideration without being endorsed to the holder, the latter may at any time demand the endorsement—with or without recourse depending on the nature of the transaction and the intention of the parties in the first place. But until such

endorsement the title of the holder is subject to any equities attaching to the documents, and this is not cured by endorsement, if notice is given before the endorsement is actually made; excepting, however, where an endorsement was intended at the time of transfer and was omitted by "mistake, accident, or fraud," in which case the holder's title is made perfect at any time by endorsement.

> This provision as to equities would probably apply where, for any reason, a banker contents himself with the mere lodgment of bills or notes as security, with the understanding that if he should wish title in them given later on, endorsement would be made; as otherwise it is not easy to imagine a case where omission would be other than by mistake, accident, or fraud. In any event absence of consideration on the part of a prior holder would not constitute an equity.

Where the amount of a negligently drawn bill is increased after leaving an endorser's hands, if the alteration is not apparent he is liable for negligence, as well as the maker.

An endorser *may* be held liable in his personal capacity if, in endorsing a bill or note for a company, he merely adds words descriptive of his office, instead of making it read clearly as an endorsement for the company.

> "May be held liable," *e.g.*, if a bill or note is made payable to A. B. as treasurer of a company, or simply to The Treasurer, and he endorses it in that manner, *i.e.*, "A. B., Treasurer," he would be liable personally; but if it is made payable to the company and endorsed "A. B., Treasurer" he would not be liable. And this liability in the first instance would not be removed, even if the holder admitted that he understood he was only getting the endorsement of the corporation.

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A banker may have to do with an endorser in two capacities:

*As drawee:* where he has paid a bill drawn on himself, or * an accepted bill, or a note, of one of his customers payable at his bank.

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* It has since been pointed out to me that the banker's capacity in the two instances following is that of agent of the acceptor or promissor. The banker's position as regards an endorser, however, is not, I imagine, materially different in such capacity from what it is as drawee.

*As holder*: Where he acquires property in bills or notes other than as drawee, as by cashing a cheque on another bank, or discounting or making advances on bills or notes, or taking them as collateral security.

> Usually as "holder in due course," but occasionally not so, as when he takes overdue bills as security, as to which see under "Overdue Bills."

And in these transactions the banker understands:

### Liability of an Endorser.

*as drawee*, that the endorser to whom the money is paid is bound to indemnify him should the instrument not be valid, by reason of forgery of the signature of any endorser (but not the drawer's signature, which the banker admits in paying a bill), or should the endorser's title prove to have been defective; and "as holder in due course," that each endorser is individually bound absolutely to indemnify him should a bill or note for any reason be dishonored.

But an endorser may negative his liability by adding appropriate words (usually "without recourse") to his signature, showing clearly his intention only to pass the title, without liability on his part—that is, of course, where a banker chooses, or by the nature of the transaction is bound to accept such an endorsement.

> Such negation does not, however, affect the assurance that is implied by the mere passing of a bill, that it is a valid obligation of the persons who purport to be parties to it; and the holder of a bill so endorsed could recover from an endorser where any signature was forged, or if any party to it was in competent to contract, or the endorser had no title.

### Duties of the Banker as Regards the Endorser.

The liability of the endorser set out above is entirely contingent on the performance of certain important duties on the part of the banker:

1. *Duties as drawee:* If after payment it is discovered that a bill is not a valid obligation by reason of the forgery of any prior endorser's name, or other reason of which the endorser was not aware, the latter must be notified forthwith.

2. *Duties as holder in due course of a Bill of Exchange:*—Presentment for acceptance.—Presentment for acceptance to every drawee must be made within a reasonable time of (*a*) all bills that expressly stipulate for such presentment, (*b*) all bills payable at or after sight, and (*c*) all bills payable elsewhere than at the residence or place of business of the drawee.

> "Reasonable time."—Bills payable in the same place should be presented the same day if received within banking hours, at any rate sight or after sight bills, and if payable elsewhere they should be despatched the same day. Where bills are negotiated in turn by a banker, as bills on foreign countries, a certain delay is warranted by the state of the Exchange markets, etc.

While it is customary to present for acceptance other bills than those enumerated above, and would indeed in some cases amount to carelessness not to do so, it is not necessary in order to preserve the endorser's liability.

The drawee may be given two days in which to accept if he so requests, or if he indicates that he may accept in that time, but in the absence of such request or indication the bill must be treated as dishonored immediately.

An acceptance must be unqualified and by all the parties. From this rule, however, is excepted an acceptance for part of the amount, which may be taken if the holder thinks fit, but notice of the fact must be given at once, and in the case of a bill originating in a foreign country it must be protested as to the balance, as well as notice given.

Presentment for payment.—All bills not payable on demand must be presented for payment on the day of maturity, unless delay is caused by circumstances beyond the control of the holder.

Cheques must be presented for payment within a reasonable time, reasonable time being determined by the usage of banks and the circumstances of the particular case.

> The usage of banks holding a cheque drawn on a bank in the same place is to present for payment the following day, but where a bank is asked to present "without delay" the "circumstances of the particular case" would probably not justify following the custom of not presenting until the next day.

Demand bills must be presented within a reasonable time after endorsement.

> When an endorser places his name on an overdue bill it must be treated as payable on demand.

Notice of dishonor by non-acceptance or non-payment.—Notice of dishonor must be sent on its way not later than the following business day, to every endorser whom it is wished to hold. It is customary to notify every endorser, but any endorser may be selected without regard to the order in which he became a party, leaving him to notify any prior endorser for his own protection; excepting where two or more endorsers have endorsed jointly with the knowledge of the holder, when each of them should perhaps be notified if it is wished to hold any one of them. Notice given by an endorser enures to the benefit of the holder.

Notice of dishonor must be given even if presentment was waived. Notice of non-payment need not be given where notice of non-acceptance was given, unless, of course, the bill was subsequently accepted.

If an endorser, on whom it is intended to rely, is dead, and the fact is known to the holder, his representatives must be notified, if they can be found; otherwise notice left at the endorser's last known residence will suffice.

The return of a bill is sufficient notice.

Protest for dishonor.—All foreign bills must be protested for non-acceptance, and where not dishonored by non-acceptance, for non-payment.

Bills drawn on Quebec must be protested for dishonor.

3. *Duties as holder in due course of a promissory note:*—While there are some important differences between the general law governing bills of exchange and that governing promissory notes, the same duties are imposed on the holder of a note in order to preserve the endorser's liability as have been set forth as to bills of exchange, with the exception, of course, of the provisions for presentment for acceptance and acceptance.

With a demand note, however, reasonable time for presentment for payment is widely different from that in the case of a demand bill. Demand notes are frequently given with the understanding that they may not be presented for payment for a considerable

period, and it might not be considered an unreasonable time if they were presented barely within the Statute of Limitations.

A demand note, delivered as collateral security with the assent of the endorser, need not be presented for payment so long as it is held as such security.

### The Endorser is Released.

If any of the foregoing rules respecting presentment, notice, protest, etc., are neglected the endorser is released; except where any of them are expressly or impliedly waived by the endorser or excused by law.

> "Impliedly waived"—as, for example, where an endorser before maturity has asked for and obtained an extension of time.
>
> "Excused by law."—Presentment for acceptance is excused, (1) where, after reasonable effort, the drawee cannot be found, or (2) where he is dead or 'bankrupt,' or (3), irrespective of the holder's knowledge, is a fictitious person, or (4) is, with the knowledge of the endorser *when endorsing*, a person without authority to contract. Presentment for payment is also excused for the above three first named reasons, and, further, where a bill or note is made for the accommodation of the endorser, and the latter has no right to expect payment if presented. But, where there is more than one endorser, presentment for acceptance and for payment is necessary, in order to preserve the liability of the others.

Further, the endorser is released if the holder suspends, in a binding manner, his remedy against the principal party or any prior endorser.

> "Binding manner."—As if at any time before or after maturity, for a good consideration, the holder gives a promise, to the principal party or other endorser, to extend the time for payment, or, in the absence of consideration, gives a written undertaking *under seal* to extend the time. A promise not binding, as, for instance, not for a consideration or not under seal, would not release the endorser, as the latter's right to take up the bill at any time, and sue thereon, would not be affected by such an undertaking.
>
> The taking of interest in advance, for any greater period than the currency of the bill, is a notable example of a binding extension of time.

He is also released if his signature is intentionally cancelled by any holder, or if the signature of any prior endorser, or of the principal, is so cancelled.

But the endorser's liability is revived despite neglect of the holder, if the former, subsequently, with full knowledge of the facts, excuses neglect, or implies excuse, as by admitting liability, promising to pay, or making a part payment, etc.

A prior holder's neglect does not release an endorser as regards a holder in due course.

### Overdue Bill.

Taking an overdue bill as security is, as already stated, the only common instance where a banker is a holder other than in due course. In this capacity he can only acquire a bill subject to any defect of title affecting it at maturity. An endorser would be released by a prior holder's neglect of duty, but absence of consideration to the drawer would not be a defect.

### Concerning an Endorser's Position in Case Principal Defaults, Etc.

Where a holder has taken security from the principal party or from a prior endorser, any subsequent endorser paying the bill or note is entitled to the security, or may even demand that, before looking to him, immediately realizable security shall be applied as far as it will go. Security can only be surrendered without payment, at the holder's peril.

Joint endorsers, where the fact was known to the holder, should be sued together. Judgment against one is a bar to proceedings against the other.

### On the Business Aspect.

It will no doubt suffice for the purposes of this paper if I select for illustration the case of an endorser for a business house so weak financially that the banker's main reliance is upon the endorser; where the endorser's name is looked to in any lesser degree, the principles which should govern, in the case illustrated here would, of course, have only to be modified.

The considerations, then, which arise in a banker's mind are, in their natural sequence: the reasons for the endorser's willingness to assume so serious a risk as that involved in the case in point; the proportions borne by the amount of the endorsement to the claimed means of the endorser; the tangibility of the endorser's wealth, and the risks to which it is and may be exposed; and the question of his integrity.

In connection with the first point it is not enough that an endorser's means would probably render advances to such a business house reasonably safe; unless the business might fairly be expected to succeed under efficient management such an account has no proper place on a bank's books, though as to this the case may be somewhat different, perhaps, where the business is pressed upon a bank by the endorser himself. There should in every case be a legitimate and natural reason for the endorsement, and it is important that a banker should satisfy himself as well, that the endorser thoroughly understands the real nature and extent of the risk he is assuming. Where the latter is the case, and the endorser's ability to protect his own interests is clear, the banker has a very satisfactory measure of assurance therein as to the safety of his advances apart from the endorser's name, and as to the probable eventual success of the business.

As to the proportions which an endorsement may bear to the endorser's means, where there is a business connection, such, for instance, as the endorser having a monied interest in the business, it is natural for an endorser to be willing to come under obligation for an amount running close upon his entire capital, but where an endorsement is of an essentially "accommodation" character it is doubtful policy for a banker to lend money to anyone, in whose ability to repay it himself, he has no confidence, particularly when the endorser's liability would represent an important part of his means; it is, under any circumstances, a very ungracious task to collect from a secondary party a debt not incurred for his benefit in any way.

With regard to the reality of the endorser's wealth I do not see that the principles which apply here differ in any important measure from those applicable in the case of a principal party—that is to say, it is probably as indefensible a risk, in the case I have taken for illustration, for a banker to lend money without

having satisfied himself of the endorser's actual position by information at first hand, as it would be to lend on the strength of a principal's name without full knowledge of his position. That bankers are sometimes content with the general reputation for wealth of an endorser is probably due to a tendency to lose sight of one aspect of the risk. There seems to be a temptation to view it in the light that, should the business fail, it is hardly probable, on the doctrine of pure chances, that the endorser will also become insolvent,—instead of setting out from the opposite direction and considering first of all whether, in the event of the endorser's wealth proving fictitious, or his coming to grief, the position of the bank's advances would be a serious one. A banker has not the same opportunities for observing the course of an endorser's affairs as in the case of the principal, and it is therefore the more essential that he should not only know the endorser's position, but be able to assure himself that his means will not be exposed to abnormal risks in any direction.

It would not ordinarily be necessary to discuss the question of the integrity of the individual, as presumably no banker deliberately trusts a man whom he believes to be dishonorable. I believe, however, that it is within the experience of bankers that the moral reasoning of men when called upon as endorsers for payment of a debt is distinctly different from what it is as principal parties for obligations in connection with which they have themselves benefited, and as a banker has no right of interference with the endorser's disposition of his assets until default has been made by the principal, the question of character in this connection cannot be too finely weighed.

### The Difference Between the Security of a Guarantee and an Endorsement.

An endorsement as already set out herein, covers an absolute undertaking on the part of the endorser that should the principal party to a bill or note not pay it, he will himself do so, without right to deny the validity of the instrument and, therefore, his obligation, for any reason whatsoever.

The obligation covered by an ordinary form of guarantee is much more limited. A guarantee must, of course, be in writing, and for a consideration (not necessarily a money one, nor neces-

sarily stated in the guarantee), or in the absence of a consideration it must be under seal; it must be addressed to a person by name, and describe fully the bill or note it is intended to guarantee. A guarantee, unlike an endorsement, does not pass to a holder in due course; the guarantor is only liable to the person guaranteed or his assigns; and further, the guarantor is not precluded from denying the signatures of any of the parties to a note, embraced by the description in the guarantee; that is to say, a guarantee covering a note made by A. and endorsed by B. would not apply to a note made by A. with B.'s endorsement forged, nor to a note with A.'s signature, as maker, forged, and endorsed by B. Of course a guarantee might be made so wide as to specially cover the validity of signatures in such an instance as given, but such would not, in the nature of things, be often met with; or the circumstances of the case might alter the above position as regards validity of signatures, as, for instance, if a guarantor had knowledge of a signature being forged at the time of giving the guarantee; but the difference between the security of a guarantee and an endorsement in an ordinary simple case would seem to be substantially as set out above.

As to the duties of a holder as regards a guarantor, presentment for payment is not necessary in order to preserve a guarantor's liability, and as to notice of dishonor, while the prudent and natural course would be to notify the guarantor promptly, authorities seem to agree that omission to do so, unless under circumstances amounting to concealment, would not release a guarantor.

The guarantee oftenest met with in banking is one covering general advances to a customer, sometimes so comprehensively drawn as to guarantee "any liabilities" the customer may come under "in consideration of the bank agreeing to deal with him," but I have taken it that it is the fundamental difference between the security of the two forms of suretyship which should be stated.

"BANKER AND CUSTOMER."

## State all the Points Connected with an Endorser, Etc.

Paper by Mr. W. M. Ramsay.

*Merchants' Bank of Canada.*

The laws governing bills, or what are technically called drafts or acceptances, according to their condition, are applicable also to promissory notes and cheques. But special provisions and modifications have been made by the Bills of Exchange Act relative to notes and checks, incident to the essential difference in the construction of these instruments from each other, and from bills, and in consequence of dissimilar usage. The term "bill" is understood to convey the comprehensive meaning, unless exception is stated.

A bill is void which has been altered in any vital part, except against any party to it who has caused the alteration to be made, and subsequent endorsers. An endorsement, like an acceptance, must be written on the bill itself, but if written on an allonge or necessary supplement to a bill it is valid; and an endorsement on the "copy" of a foreign bill is equivalent to an endorsement on the original. A bill is payable to bearer if so expressed, or if the payee is a fictitious or nonexisting person; and the Act also declares that a bill is payable to bearer "on which the only or last endorsement is an endorsement in blank." This last clause is British law, and practice as well; but Canadian Banks may be expected to prudently continue following the rules established by custom in paying cheques until events discover to them what advantage, if any, there is to them in the provision. If, however, drawn payable to order and endorsed in blank, the blank endorsement may be converted into a special endorsement by any holder; and such blank endorsement is controlled by a subsequent special endorsement. If a payee or endorsee is not correctly designated, or if his name is mis-spelt, he may endorse as described in the bill, subjoining his proper signature, or, alternatively, he may endorse by his proper signature only. The transfer of a bill drawn or endorsed "Pay to John Smith" is not prohibited. The converse expression "Pay

to the order of John Smith" does not compel the transfer of a bill; it is payable to him or to his order at his option. Therefore the several expressions, "Pay to John Smith," "Pay to the order of John Smith," and "Pay to John Smith or order," are of equal legal effect. The transfer of a bill is, however, prohibited if drawn or endorsed "Pay to John Smith only," or if "indicating an intention that it should not be transferred." The alteration of a cheque or bill from "order" to "bearer" should be regarded as a danger signal.

The endorsement, "John Smith, Agent," binds John Smith only, and not the principal for whom he acts. An endorsement "per procuration" binds the principal only up to the measure of the authority under the power of attorney he has granted, and no further. The Act explicitly declares that a signature "per pro" is indicative of limited authority. Hence no bill thus endorsed should be cashed without due proof of the title of the endorsee, and none of the many cheques exchanged by banks daily, and endorsed professedly under power of attorney, should be honored without the guarantee of the depositing Bank. An endorsement in a representative capacity may be made so as to negative personal liability, Precedent goes far to establish, however, that personal recourse must be *expressly* negatived to be adequate. Subsequent to the maturity of a bill it may be endorsed and the endorsement dated. Restrictive endorsements are manifestly dangerous, and should not be regarded as within the range of practical banking, always, of course, excepting restrictions or prohibitions such as "For deposit on account of,"—which are in their nature admissible, and occur in every day practice. The Act provides that a conditional endorsement may be disregarded, without harm, by the payer; but it might not always be easy to distinguish between conditional, restrictive, and prohibitive endorsements, and bankers are not lawyers. An endorsement given under coercion, or compelled by fear or other like influence, would be declared void if value had not been given. All banks do not give proper regard to the correct placing of their own endorsement on bills, notwithstanding the legal rule that several endorsements on a bill are presumed to have been written in the order in which they occur. Needless inconvenience might be caused in seeking recourse because it

appeared on a bill, *prima facie*, that the defendant was entitled to sue the plaintiff.

*Capacity* to endorse has to be kept in view, and exception recognized when necessary, as in the case of interdicts, minors, corporations not empowered by their act of incorporation, and not essentially organized for trading purposes, and others. *Capacity without authority* has too often in the history of banking been found to conceal a pitfall, notably through taking the signature of a firm, written by one of its partners otherwise than for partnership purposes. It has also to be borne in mind that the endorsement of a non-trading firm, as, for instance, a firm of solicitors, has not necessarily more effect than the endorsement of the signing partner only. Section 23, sub-section b. of the Bills of Exchange Act reads, "The signature of the name of a firm is equivalent to the signature by the person so signing of the names of all persons liable as partners in that firm." This clause may have been designed to express the law already determined. The words cannot be presumed to signify an intention to prohibit the repudiation, by his copartners, of a firm's signature written by any one member of that firm regardless of circumstances, as between themselves—*i.e.*, whether or not the obligation were incurred for partnership purposes, or had the authority of the firm. Thus the avowed accommodation endorsement of a firm would bind only the partner who had signed, as heretofore. It is significant of this conclusion that the annotations upon this clause by one of the first English authorities cannot be read to justify a construction favorable to banks with respect to accommodation signatures of firms, recognized as such. The clause is identical in the English and Canadian Acts; and the former, it will be remembered, has been in operation since 1882. It would, however, seem from the wording of the clause in question as if the holder of a bill might, as his advantage dictated, regard the endorsement of a firm as that of a firm, or as the joint endorsement of the individual partners.

In order to preserve the liability of an endorser, a bill which requires to be presented for acceptance must be so presented to the drawee or a person authorized to act for him, or, if customary, through the post office; unless such drawee be dead, or bankrupt, or cannot be found. And if such bill is not accepted within

two days after presentation it must be treated as dishonored; and thereupon the holder has immediate recourse against an endorser. A time bill must be presented for payment on the day it falls due at a specified place or address, if stated therein, and to the proper person or his representative; otherwise at his place of business or residence; and if he has no known *locale* then at his last known place of business or residence; or, otherwise, to him wherever he can be found; or, as a last resource, at the principal post office in the place where payable, or through the mail if authorized by usage. If dead, presentation must be made to his personal representative, if such there be, and if known. Failure to properly perform these conditions loses recourse against an endorser.

Foreign bills, and bills in the Province of Quebec, should be protested for dishonor, by non-acceptance or non-payment, to preserve the liability of an endorser; but elsewhere in Canada than the Province of Quebec inland bills may or may not be protested at the option of the holder without affecting his recourse; but notice of the dishonor must be given to an endorser, if not by the usual mode of a notarial notice of protest, then by any other common-sense means which can be proved. If an endorser be dead the notice must be given to his personal representative, if such there be, and he is known. Such notice of protest or dishonor must be given not later than the next business day after maturity. If notice has been duly mailed and properly addressed to an endorser he is not released by non-receipt of it. It is questionable whether the notaries employed by banks always exercise diligence to ascertain the proper address of parties to whom they are required to give notice. A bill must be protested within five miles of the place where presented; or, if returned dishonored through the mail, at the place to which it has been returned. Notice to an endorser is necessary of the dishonor of a bill which has been lost or destroyed; and protest may be made on a copy or description of such bill. Protest and notice may, in case of need, be made and given through a Justice of the Peace instead of a notary.

To preserve recourse against the endorser of a note presentation must be made to the maker at a particular place if specified in the body of the note; or if a place of payment is *indicated* on

a note, although not in the body of it, it must be there presented. The latter condition should be marked, as the editions of authorities such as Byles, Grant and others, commonly used for reference, express the regulation that a place of payment not contained in the body of a note, but appearing on it as a memo. only, may be disregarded, and presentation is *not* necessary. Protest of a foreign note is declared to be unnecessary, but is probably advisable in order to clearly charge a foreign endorser in his own country. In other respects the rules laid down as to the presentation, protest and notice of bills are equally applicable to notes.

Notes payable on demand, and endorsed, cannot in prudence be negotiated by banks in view of their obligation to present such notes within a "reasonable time" of the endorsement. The alternative is that the endorser is discharged. The Act, however, provides that endorsed demand notes may be held without presentation if delivered as continuing or collateral security, but only if the endorser's assent has been given.

A demand bill (say a cheque) which appears on the face of it to have been in circulation for an unreasonable length of time is, in legal effect, an overdue bill. And two months has been held to be an unreasonable time. An endorser would be discharged if such bill were not presented within a reasonable date of his endorsement. The several clauses bearing on this point appear to have the design of influencing prompt presentation, and affect chiefly the relations between drawer and payee, or subsequent endorser. The application of these clauses seems to be negative in so far as concerns demand notes not of recent issue negotiated for value (Vide sec. 85, sub. 3), and the apparent intention is to protect the holder, presuming he had not knowledge of defective title because of non-presentation. A banker probably looks into this far enough for all practical purposes if he sees an opportunity for those disposed to be litigious.

We have by usage made for ourselves a stringent law which renders us liable to our depositors for any default in correctly executing their orders upon us by cheque. It is our imperative duty to pay out the funds of a depositor whenever properly authorized to do so; and a bank must therefore satisfy itself that the endorsee of a cheque payable to order is the person entitled to receive the money, and should refuse payment until so con-

vinced. But it is important to keep in view that a refusal to pay a cheque until the bank is satisfied as to the payee's identity involves the retention by the bank of the amount necessary to meet the cheque from the sum standing to the credit of the depositor, lest it should prove that the person who presented the cheque is entitled to receive payment of it. A bank is not obliged to regard any endorsements, although repeatedly transferred to order, upon a cheque drawn payable to bearer. This was recognized in England many years ago, and a Canadian Court not long since gave judgment to that effect in an action involving the point. A contingency in this connection is whether a bank would choose to pay on presentation a cheque drawn to bearer, although drawn by previous holders to order, or risk liability to possible damages by default of prompt payment. In the action alluded to frand would have been prevented, as events proved, had the paying bank regarded the endorsement on the cheque; but it is quite possible that the next analagous suit to come under our notice will be taken by a *bona fide* holder of a cheque payable to bearer against the bank upon which it is drawn, because payment has been refused on presentation, on the ground that the cheque bore evidence of having been negotiated and endorsed payable to order. Thus we have no assurance that we can always choose even the lesser of two evils. The amendment to section 24 of our Act of 1890 expressly gives us recourse against any endorsers of a cheque subsequent to a forged endorsement, and against the bearer if endorsed in blank. There is no real advantage to banks in the provision which deprives depositors of recourse unless they give notice, within one year *after acquiring knowledge*, of a cheque paid on a forged endorsement having been charged to their account.

An unauthorized endorsement equally with a forged endorsement is wholly inoperative. The cases on record prove that, if remote, there is nevertheless danger of a bill being negotiated by another person of the same name as the rightful owner. Wrongful possession of a note or acceptance would be an obstacle to its being negotiated direct with a bank; but we reach an awkward *crux* if we presume that a cheque payable to John Smith falls into the hands of another John Smith. The bank upon which the cheque is drawn convinces itself beyond the peradventure of

a doubt that the person presenting it is John Smith, and thereby intelligently and according to usage executes the order of its customer apparently. Nothing more could have been done by the bank unless it were in possession of some occult power enabling it to perceive that its client meant an entirely different person from the wrongful John Smith who presented the cheque, and whose possession of it *prima facie* indicated that he, being John Smith and no other, must be the rightful owner. But the fact remains that the bank has paid the cheque on a forged endorsement, and they have no right to charge their customer's account with it. This conclusion has not been reached unadvisedly. It is not always plain that law, common sense, and justice, are relative terms.

The practice of crossing cheques, common in England, originated amongst banks in that country for their own better protection in "clearing" cheques. But British banks are explicity granted immunity from harm should they pay any cheque of their depositors on a forged or unauthorized endorsement, unless, only, such cheque is paid across the counter and is crossed. Under these circumstances the practice is expedient and intelligible. A crossing upon the face of a cheque operates as a prohibition, as, although the person to whose order it is payable may comply with all necessary conditions in respect of endorsement, and, in this country, of identification, he has nevertheless no title to receive the money in payment of it from the bank on which it is drawn. Practically, by crossing his cheque a depositor orders his bank to pay the amount of it, not to the payee nor his assigns, nor to the bearer, but to another bank, or, if specially crossed, then only to *that* bank. Any holder or endorser may cross a cheque, or if already crossed generally may cross it specially, and a bank may add to a special crossing a further crossing to its collecting agent. The practice which prevails in Canada of endorsing cheques sent by mail "for collection on account of" the remitting bank, or specially to the order of the collecting agent, is perhaps not as safe as the English usage in that respect; our stamped endorsement might be obliterated without much difficulty, whereas a crossing is in effect an integral part of a cheque which would not easily be removed nor altered. Our Act gives the drawer of a cheque power to uncross it and order

its payment in cash; and it would obviate much embarrassment if the British Act gave the like power specifically.

The deposit receipts issued by most banks are not transferable, and when so should be paid only to the person to whom they have been issued. When, however, as sometimes happens, a non-transferable deposit receipt is presented for payment by another bank, its guarantee should be required to ensure the paying bank against having to pay a second time. A receipt may be issued repayable to either of two persons; should one of whom die the endorsement of the survivor, and also of the legal representative of the deceased, are both necessary.

Warehouse receipts usually come into the possession of banks endorsed in blank. As a precaution against such securities falling into wrong hands they should be immediately endorsed by the receiving bank to its own order. It is the rule with most, if not all, banks, to convert on receipt, the blank endorsement of notes payable locally to their own order, although it is intended that such notes should not pass out of their own custody till paid, and the precaution is not inadvisable in handling Warehouse receipts. The same suggestion applies to Bills of Lading held for payment of relative drafts. This precaution is all the more necessary because such securities, being only pledged, cannot be stamped by banks with their "property" stamp.

Marine Insurance Certificates are taken by banks usually endorsed in blank by the person to whose order the loss is payable, and without requiring the Insurance Company's consent to the transfer. A certificate declares that it is subject to the conditions of the policy under which it is issued. Such policy does not, however, pass to the bank for examination, and might contain conditions and restrictions which would tend to vitiate the transfer of the certificate.

The security of an endorsement is specific, being limited to the instrument upon which it is written. The security of a guarantee is according to the terms upon which such guarantee is drawn; it may be limited to one transaction, or may cover an indefinite number of transactions. If a continuing guarantee expressing no limit of transactions as to number, it is usually terminable upon the discharge of the debt which it covers, but may express a specific date of expiry. A guarantee should reasonably state a definite limit of amount. In England it is established

that delay granted to a principal debtor for payment absolves his surety, if the surety's consent has not been obtained, and therefore in taking a letter of guarantee care should be exercised to obviate danger on this ground. For the same reason, in England, and *perhaps* also in Canada, recourse may be lost against the surety (or accommodation party) on a note, whether as endorser or maker, if additional time is allowed the principal debtor without the surety's concurrence, or unless the holder expressly reserves recourse against the surety. It is on record in Canada that a letter of guarantee has been declared void because the guarantor was led to understand by the bank manager before executing the guarantee that his signing was only a matter of form.

ADDENDA.

In laying down the rule that foreign bills and bills in the Province of Quebec *should* be protested the writer has done so in full view of section 92, which provides that noting is sufficient at maturity. Section 51, which makes exception of holders in the Province of Quebec by depriving them of the option of protesting was, it is understood, interpolated in the Act by the influence of the notaries of that Province, who would probably fight to prevent any change which would deprive them of their emoluments. It should be remarked that the section in their interest (No. 51) renders necessary *notice of protest*, not notice of dishonor. But besides, presuming that protest were optional, there is no practical advantage in to-day employing a notary to note a bill, which is compulsory, and to-morrow sending notice to an endorser by other means than through the notary.

Reference to crossed cheques has appeared to the writer to be called for in this paper because of the influence of crossing upon negotiation, although realizing that the Canadian banking public are not likely to learn the expediency of crossing the cheques they issue until we fall in line with the English law in relation to cheques, should that ever happen. The agitation which took place at Ottawa in 1890 applicable to crossed cheques, a factor unknown in the banking practice of the Dominion at the time, suggests to my mind some sort of preparation, and the sequent idea occurs that possibly they had something to do with it who are interested in banking reform, and who may have been hopeful and farseeing enough to detect in this the thin end of the wedge.

SAILING SHIP.

## PRIZE ESSAY.

STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY A TELLER WITH REGARD TO CHEQUES OR ANY OTHER FORM OF PAYMENT, AND DEPOSITS OR ANY OTHER FORM OF RECEIPT; ALSO OTHER MATTERS IN WHICH HE HAS TO DEAL WITH CUSTOMERS ACROSS THE COUNTER, AND ESPECIALLY HOW HE CAN ADVANCE THE INTERESTS OF HIS EMPLOYER.

Paper by MR. R. W. CROMPTON.

*Canadian Bank of Commerce.*

The following points should be noted by a teller with regard to cheques:

Authority to pay must be expressed upon a cheque, either by the marking of the ledger-keeper, or the initials of the manager or the accountant.

A teller is not relieved altogether from responsibility regarding the genuineness of the signatures, even though a cheque is marked good when presented to him, and he should remember that if he pays a forged cheque the bank has to bear the loss, as the amount cannot stand charged against the account of the depositor whose name is forged, but if such a cheque is presented by and paid to an innocent holder, payment may be recovered from him if a demand is promptly made.

A teller is held responsible for the identity of the payee or endorsee to whom he pays money on a cheque payable to order.

The amount expressed in words is the sum payable, if a discrepancy between words and figures exists.

Payment of undated cheques, or cheques dated on Sunday, should not be refused.

Any alteration in amount or otherwise should be initialed by the drawer.

If, in a cheque payable to order, the payee or endorsee is not correctly designated, or if his name is misspelt, he may endorse as he is described, and add, if he chooses, his proper signature, or he may endorse by his proper signature alone.

Any member of a firm can sign the firm's name for purposes which are strictly in connection with such firm's ordinary business.

When a cheque is payable to the order of an incorporated company, the teller must know that the officers signing have authority to do so.

When a cheque is payable to the order of the executors of an estate, and there be more than two executors, a majority of signatures is sufficient.

If a cheque is payable to the order of two or more payees or endorsees, that are not partners, all must endorse.

When a cheque is endorsed conditionally, payment is valid whether the conditions have been fulfilled or not.

A cheque drawn payable to the order of a married woman. say Mrs. John Smith, must be endorsed Mary Jane Smith, or whatever her christian name may be.

A cheque drawn payable to "bearer" is paid without the identity of the payee being established, though it is always well to refer cheques so drawn, for very large amounts, to a higher official before payment is made.

A crossed cheque should not be paid in cash across the counter.

If a crossed cheque has been reopened by the drawer of it writing within the transverse lines "pay cash" and initialing same, it should be treated as an uncrossed cheque.

A cheque that has been outstanding for an unusual length of time, should be referred to the manager or accountant before payment is made, especially if signed by the drawer's attorney.

Payment of a cheque after countermand of payment, or notice of customer's death has been received, renders the payer liable for the amount to drawer and heirs respectively.

Cheques on own branch should be stamped "paid" immediately after payment, and if any cheque on another bank or branch is inadvertently cancelled, it may legally be stamped "cancelled in error," or words conveying similar meaning, and the cancellation then has no significance.

Cheques form the principal medium through which money is drawn from a bank, and many of the foregoing points given in regard thereto, are applicable to the other forms of payment with which a teller has to deal, but there are special points to be observed regarding the latter, and amongst them are the following:

Bank drafts, letters of credit, and all such forms, should not be cashed until the teller has been made aware that advice of their issue has been received.

A bank's own dividend warrants are paid at par at any of its branches.

If a dividend warrant is made payable to two or more persons holding stock jointly, the receipt of one of such persons is a sufficient discharge to the bank for the money, unless express notice has been received by the bank to the contrary. In the case of executors, a majority of signatures should be obtained.

The law regarding crossed cheques applies also to dividend warrants.

A teller should see that the interest due upon a deposit receipt presented for payment has been checked by the officer appointed for the purpose, and the total amount paid—that is, principal and interest—should be written across the face of the receipt.

When cashing cheques, etc., on outside points, the regular commissions should be charged unless waived by higher authority.

Payment in torn or partially defaced Dominion or Bank notes is by law forbidden.

It is only compulsory to pay $100 at one time in Dominion notes, should a demand be made for them.

The following points should be noted with regard to Deposits:

The cash should be counted, and the various items offered, checked, and the whole carefully ticked off and compared with the figures on the deposit slip. Extensions and additions should also be checked.

Sight drafts, other cash items, and unmarked cheques on other banks, should be initialed by a higher official.

Particular care should be exercised with regard to the commissions on cash items—they should be exacted in all cases as authorized by the manager. Commissions are a good source of revenue to a bank.

A teller should see that sight drafts, &c., are properly drawn, and carefully check the endorsements upon the various cheques, &c., deposited as cash.

Crossed cheques on other banks may be taken on deposit and sent for collection in the ordinary way, but a cheque crossed specially to more than one bank should be refused.

Light gold should be avoided as much as possible, and silver should not be taken too freely.

American money is taken at par at many points in Canada, but a teller's attitude towards it is governed by the express directions of his manager.

A teller should inform himself fully as to banks no longer in existence, so as to quickly detect any bills of such banks offered in a deposit.

Forged bank notes must be stamped "Counterfeit" or "Forgery" before being handed back to the customer offering them.

A deposit for credit of a current account should not be taken from any one not authorized by the manager to have such an account.

A teller should initial every deposit slip as soon as checked and enter it in his blotter, but he should not, under any circumstances whatever, enter a deposit in a customer's pass book—whether current account, Savings' Bank, or any other—nor should he return the deposit slip to the customer, after it is initialed, to hand to the ledger-keeper for purpose of entry in ledger or pass-book. This is sometimes done in the smaller branches, but it is a practice fraught with much danger to the teller and the bank.

The deposit slip should go direct from the teller to the ledger-keeper.

When taking payment of notes and other bills it is necessary to carefully compare the amount offered with that expressed on the bill, and all cheques, whether on own bank or other banks, offered in payment, should be marked good before the bill is handed out as paid.

The endorsement of the bank's customer should always be cancelled when a bill is prepaid by any other party thereto.

The signature of every applicant for a deposit receipt, or of a depositor in the Savings' Bank, or Current Account ledgers, should always in the first instance be obtained for purpose of comparison, either by the teller or other officer.

A teller's position is one of trust and opportunities, requiring the exercise of many qualities which should be sedulously cultivated and developed, among them being civility, courteousness, tact, and an unfailing command of temper; these are primarily necessary and daily requisite. By the exercise of them much good may be done, by their absence much more than a corresponding amount of injury to the bank's interests will assuredly ensue. His actions and conversation should not be such as to create an impression that he is a mechanical ornament—a species of automatic cash register—it is a mistake, and the creation of such a

feeling will militate against his usefulness; but, on the contrary, he should display an intelligent interest in his work, and an evident desire to please those with whom he is transacting business, without going to the extreme of obsequiousness. If he is thoroughly interested in his work he will find many opportunities of doing good constantly coming before him, and they should be embraced. It is well for him to bear in mind, for instance, that a bank's circulation is an important factor of profit, and that any increase of it carries with it its percentage of profit, and it should be an object therefore to get it out amongst people, and into districts, with whom and where it will remain the longest, remembering that notes of the smaller denominations—especially fives—circulate more freely, and have consequently a longer life before finding their way back to the bank than the larger ones; and that as few legal tenders as possible should be paid out.

The Savings' Bank should receive as much attention as possible, and there is possibly no other officer in a country branch who can do more than a teller towards the building up of this valuable portion of a bank's business. In fact, were all the tellers employed by any bank, to enter into a compact to do their utmost to increase the total of the Savings' Bank deposits, and the increase could by any possibility be shown, the result most probably would surprise, not only the tellers, but many of the younger higher officials who somehow or other appear to become imbued with the erroneous idea that prosperity is reached solely through the eminence of their own abilities.

Customers' deposits should be carefully watched, more particularly those of customers having advances from the bank, and if anything of an unusual character is observed—such as a large deposit of the notes of another bank, legal tenders, &c.—it would be well to report the fact to the manager to whom it might prove interesting and valuable.

Above all, friction with customers should as much as possible be avoided, as it is always more productive of harm than good. Tellers, like all other bank officers coming constantly in contact with the public, are subject to numerous petty annoyances, yet many of the supposed causes for annoyance are more fancied than real, and frequently the result of a disordered temperament, and should not be honored with too much attention. The major-

ity of a bank's customers are men of respectability and position, but they, far from being all alike, are most dissimilar; some are pleasant and easy to deal with, while others are an exact reverse, and ready to take offence at almost anything; yet a teller can with care and tact avoid friction, and also make all the customers feel that the bank appreciates their business—the manager being the proper person to advise them to the contrary, should it be necessary. A teller should, in short, be possessed with the thought that the good-will and friendship of the public are absolute necessities to the existence of the corporation employing him, and that he himself was chosen to occupy his responsible position under the hope and expectation that he would prove himself capable of daily coming in contact with customers across the counter, without not only not giving offence, but of creating friends to his employers, and this can be done, and the interests of his employers best subserved and advanced, by the adoption of an obliging, courteous manner to all customers, no matter what their respective positions may be.

SEMPER EADEM.

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## STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY A TELLER, ETC.

Paper by Mr. J. W. HAMILTON,
*Bank of British North America.*

As the space allotted to us for the consideration of our subject is somewhat limited we will begin at once to consider the first clause, viz.: The points to be noted by a teller with regard to cheques and any other forms of payment.

In order that the bank may not sustain loss through his negligence, the first thing for a teller to note, when a cheque is presented for payment, is that it is complete and correct in all its material parts, which we will consider in their order.

The name of the bank must be designated in a cheque to a degree of certainty.

A cheque must bear date on, or before, the day upon which it is presented for payment, for it has been clearly defined that a

bank has no authority to charge a cheque against the funds of its customer before the date thereof, therefore to cash a post-dated cheque is to assume the risks of countermand of payment between the date of cashing and that upon which it may be debited to the customer's account.

If a cheque bear evidence of having been out-standing an unusual length of time, the teller would do well to have the drawer communicated with before paying the same.

The amount called for in a check must be a sum certain. Should there be a discrepancy between the amount in writing in the body of a check and the figures on the margin, the amount in writing is the sum payable.

It is incumbent upon a bank to be familiar with the handwriting of its customers, therefore a teller must be thoroughly acquainted with the signature or signatures upon which a customer has authorized the bank to pay out the funds at his credit. A cheque bearing a forged or unauthorized signature is wholly inoperative, and to pay the same would not only entail loss, but would gain for the bank the unenviable reputation of negligence.

We now come to the point which is of paramount importance to a teller, viz.: whether a cheque is payable to bearer or order. If a cheque is payable to bearer, after seeing that it is complete in the parts already mentioned, the responsibility of the teller may be said to end with the correct paying of the amount. If, on the other hand, a cheque is payable to order the teller must bear in mind that a bank is bound to see that the instructions of its customers, as contained in the cheque, are carried out, therefore, if the drawer instruct that the amount is to be paid to A. Brown, or order, it is his duty to satisfy himself that he pays it only to A. Brown, or to the person to whom he has assigned his order by endorsement. If a cheque is payable to order and endorsed by the payee in blank, and the teller is satisfied that the endorsement is correct, he may then pay the amount to any bearer, but if the cheque has been specially endorsed by the payee then the same duty accrues to the teller towards the second or any such subsequent endorser as did towards the first.

In order to satisfy himself that the person presenting a cheque is the one entitled to receive payment thereof it is customary for

a teller to require an unknown person to have himself identified by some one who is known in the office.

A bank paying a check upon a forged endorsement, not only surrenders its authority to charge the same against the funds of its customer, but loses recourse against all prior endorsers.

Where a cheque bears across its face an addition of the word "bank" between two parallel transverse lines, or two such lines simply, it is crossed "generally."

Where a cheque bears across its face an addition of the name of a bank between two parallel transverse lines it is crossed "specially" and to that bank.

The practice of crossing cheques is very little in vogue in this country as yet, owing to its recent introduction to the laws. It is a practice which arose many years ago in the Clearing House in London, and is especially designed to insure the payment of a cheque to the proper person, as the bank upon which a crossed cheque is drawn is expressly prohibited from paying it otherwise than to a bank. If crossed specially it must be paid only to the bank to which it is crossed, or to a bank acting as its agent. If crossed generally it may be paid to any bank.

The drawee of a crossed cheque only may reopen it by writing between the lines the words "pay cash" and initialing the same.

Should this custom of crossing cheques become universal in this country it would do away with, to a very large extent, that vexing question of identification.

Never pay a cheque after notice of the drawer's death.

It may be well to note here that some may claim that the responsibility in the matter of seeing that a cheque is properly filled up and signed is entirely with the individual ledger keeper, owing to the custom prevailing in this country of having cheques certified before being presented at the telling table for payment. However, a teller could hardly expect to be entirely exonerated from blame should he pay a cheque in any way incomplete or incorrect, even after certification, and, furthermore, if he is stationed in a large and busy office, he will find it almost impossible to have every cheque certified before payment, without keeping the person presenting it waiting an unnecessary time. A teller will find it a great safe-guard against cashing a cheque for which there are not sufficient funds, to keep himself familiar

with the customers' balances ; he will find this much easier than it would seem.

Besides the cheques of the bank's customers, a teller will be called upon to cash those upon other banks in the same town, or on outside points. With regard to the former, if a teller would avoid loss he should never cash a cheque upon another bank unless it has first been certified by such bank.

A cheque of the latter class should not be paid without the authority of the manager or officer in charge, who, where the payee is unknown, should require it to be endorsed by some responsible person known to him.

Never pay a cheque where one person signs for another, either as drawer or endorser, unless you know that the person signing has authority to give a discharge for the money.

Having noted the various points which claim the attention of a teller with regard to cheques, we may now proceed to the consideration of the other forms of payment, and the points therein to be noted.

A bank draft is an order by one bank, or one branch of a bank, upon another, to pay a certain person therein named a sum of money. Before cashing the same a teller should see that he has received advice from the issuing bank, and that he is satisfied of the payee's identity. Bank drafts like cheques are transferable.

A letter of credit is a request to a bank by a foreign correspondent to pay to the person therein mentioned a certain sum or sums of money. The letters used are of various forms and usually state the way the bank paying the money is to reimburse itself. Travelling letters of credit are addressed to one or more banks in different places, and are usually accompanied by circular notes, which are unsigned drafts for a specific amount, to be completed by the payee when having them cashed.

Before paying a promissory note or an acceptance, made payable at the bank ascertain that the promissor has funds at his credit ; that the day of presentment is the correct due date of the same ; and be satisfied that the endorsement of the payee is correct.

Besides the forms of payment already mentioned a teller will be called upon to pay to casual customers the proceeds of a note

discounted, or bill of exchange purchased, by the bank. When making such payments he should see that he gets a receipt of some sort for the money paid out. The best system I know of is to place the proceeds of such note or bill to the credit of an account for that purpose in the individual ledger, and issue a cheque to the person to be paid, which he signs.

Should a teller be called upon to make any form of payment not mentioned here he cannot go far astray if he remember the three following points: that the instrument upon which payment is being made is in order; that the identity of the payee is certain; that he gets a valid discharge for the money paid out.

When making any payment, a teller should bear in mind that he must upon the request of the person to whom any payment is being made, pay the same, or such part thereof, not exceeding one hundred dollars, in Dominion notes of one, two, or four dollars each, as such person requests, also that it is illegal to make a payment in Dominion or Bank notes torn or partially defaced.

We now come to the consideration of the second clause of our subject, viz.: Deposits or any other form of receipt. By the word receipt, here, we will understand, not a voucher signed on behalf of the bank for money deposited, but the receipt of a teller for any money paid into a bank for whatever purpose.

Before proceeding with the consideration of the points to be noted by a teller with regard to deposits, it may be well to note the law with regard to them.

By the Bank Act of 1891 a bank may receive money on deposit from any person whomsoever, whatever his age, status, or condition in life, provided only that where such person could not, under the laws of the Province where the deposit is made, deposit and withdraw money in and from a bank without this section, the amount to be held on account of such person shall not at any time exceed the sum of five hundred dollars. The persons affected by this proviso would be minors, lunatics, or persons who by the laws of the Province are unable to contract.

The deposits received by a teller from clients of a bank are of two classes, viz.: deposits on demand, and deposits on time.

The first class of deposits include all moneys deposited with a bank which are repayable on demand, and are usually placed to the credit of a customer in "current account." A teller should

never open a "current account" in the bank's books for any person without first obtaining the manager's sanction, as he may be in possession of information which would render such person a very undesirable customer for the bank to have.

As persons who have a "current account" generally deposit funds to their own credit daily, and are familar with the bank's forms, it is usual for themselves to fill up the deposit-form supplied by the bank. When receiving a deposit a teller must note carefully its contents, to see that the amount therein said to be contained is correct, that all cheques, drafts, etc., which may be deposited, are in order and endorsed, and that the deposit slip is signed by the depositor. He should also note carefully the nature of the moneys deposited by each customer of the bank, as information of interest and even importance to the manager in charge may be gleaned therefrom.

Should it be necessary to make an alteration in the amount in a deposit slip, have the same initialed by the person making the deposit.

Bear in mind that money once passed to the credit of a customer is subject to withdrawal only by his order.

Do not pass uncertified cheques on other banks to the credit of a customer, for a larger amount than he would be able to immediately repay should they be dishonored. In fact a teller should endeavor to impress customers with the desirability of having all cheques certified before depositing them, but where this is impracticable he should send them out for certification as soon as possible, in order that the endorsers may not be relieved of their liability.

Deposits repayable after notice are much more valuable to a bank than those repayable on demand, therefore they should be encouraged and fostered as much as possible, and a teller can be of very real value to his employer in doing this if he only realizes the fact. These deposits are treated by the different banks in two ways, either the depositor is given a "Deposit Receipt," repayable subject to a certain number of days' notice and bearing interest at a certain rate, or he is given credit for the amount in the Savings' department, in which case a "Pass Book" is given the depositor. In this book are entered all deposits

and withdrawals. The interest on these Savings' Bank deposits is credited in each account, usually, twice a year.

When receiving these "Time Deposits" a teller should take the full name and address of the depositor, also a specimen of his signature for future reference and identification, or if he does not write, see that some other means are taken for his future identification. He should also see that a correct specification of the moneys received is noted in the deposit slip, or application form, supplied by the bank, and that the same, where possible, is signed by the depositor. A teller should impress upon this class of depositors the fact that all withdrawals should be made in person, as the receipts given are not transferable, although some banks seem to allow their Savings' Bank accounts to be treated more like "current accounts" bearing interest.

Besides receiving money deposited with a bank by its clients, a teller will be called upon to receive payment for drafts issued, or any of the various forms for the transfer of money to outside or foreign parts, in all of which cases he should take, over the applicant's signature, full and explicit instructions as to the disposal of the money. He will also have to receive payment of all promissory notes and acceptances held by the bank; these should never be surrendered except for cash or an accepted cheque. In short, a teller will have to receive all money taken in by a bank, whether on deposit or in discharge of some debt due the bank, and in doing this he should see that the nature of the cash received is such as will not cause subsequent loss to the bank.

A teller must bear in mind that payment offered in discharge of any note or debt due the bank in its own notes or Dominion notes is a legal payment, and for a bank to refuse its own notes is an act of bankruptcy.

A teller is bound by law to cancel all counterfeit or worthless notes.

We now come to the consideration of the last part of our subject, viz.: "Other matters in which a teller has to deal with customers across the counter, and especially how he can advance the interests of his employer."

Besides the duties appertaining to all cash transactions a bank is interested in, the other matters in which a teller has to deal with customers across the counter will depend entirely upon the

office he is in, and the distribution of the work, but to define his duties generally, it may be said a teller stands at the counter to attend to the public.

The best means whereby a teller can advance the interests of his employer are twofold, firstly, by a faithful and intelligent discharge of the routine duties of his office, and secondly, by his conduct towards that portion of the public who present themselves at the bank's counter.

In order to perform his duties intelligently it will be necessary for a teller to keep himself posted in all the points of law and usage relating to his work He must also remember that economy is one of the first principles of banking, therefore he should send in daily for redemption, all notes of other banks received, or should any of these be notes of banks having no agency in the place he must not allow them to accumulate, but remit them to the nearest point of redemption whenever he gets a reasonable amount, as the bank is losing interest on them while holding. Note carefully any cheques of the bank's customers coming in from other banks or outside points, also whether the bills held by the bank are promptly paid, and the nature of the payment, for by a careful noting of these, what are commonly called "kites," may very often be discovered, as well as other useful information.

Perhaps the best opportunities a teller will have for furthering the interests of his employeer will occur in his intercourse with the persons at the counter, for there is no class of clerks upon which the popularity of a bank so largely depends as upon the tellers, therefore, besides a general courtesy of manner towards the public, a teller should possess a peculiar urbanity towards the customers of the bank, with a readiness and anxiety to promote their convenience in any matters upon which they may require information.

He should always maintain perfect coolness and perfect evenness of temper, for by allowing himself to become flurried or losing his temper he simply invites error.

He should inspire the bank's customers, and, in fact, all with whom he has any dealings, to confidence in him, by being always perfectly straightforward in every thing he does.

He should never encourage customers in conversation, outside business matters, as it will waste both his own and their time. He should never mention any part of one customer's dealings with the bank to another.

He should not look idly on while a customer, who is unfamiliar with the bank's forms, is vainly endeavouring to fill one of them up, but try to make what business he has to do as easy and pleasant as possible for him.

If there is one habit more than another which a teller should avoid getting into it is that of taking customers to task for occasionally coming in a little late in the day, for he should remember that they may have been very much pressed for time, and may not have facilities for keeping money safely over night.

A teller should bear in mind that a bank's circulation is a valuable source of profit; he should therefore invite customers to use the notes of the bank in making any payments, and to deposit all sundry notes received.

One word more before concluding our subject. When an officer is placed in the teller's box he should realize that, perhaps, the best opportunities he will ever get will then offer themselves for the study of men and manners and business transactions; therefore he should keep himself keenly observant in everything that comes before him, for the lessons he learns while there will be of the utmost use to him should he come to occupy the manager's chair.

QUI NON PROFICIT, DEFICIT.

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## STATE CONCISELY THE VARIOUS POINTS TO BE NOTED BY A TELLER, ETC.

Paper by MR. J. M. MCPHERSON.

*Molsons Bank.*

### CHEQUES.

Where is the cheque payable? Is it local or foreign? If local is it drawn upon his own bank or not? If foreign upon what bank is it drawn? Is it certified? What is its date? See that it is not dead, or dated a long time back, in the latter case it may be "stopped payment." Does the amount in the body agree with that in the

figures? Are there any alterations, additions or substitutions of a suspicious nature? Does it bear any particulars showing that the cheque is drawn for any other purpose than the obtainment of cash, or for deposit, by the presentor, *i. e.* it is not drawn thus, for instance: "To pay George Powell's note" and made payable to the order of presentor as a precaution in case of cheque becoming lost. After satisfying himself that the cheque is drawn correctly in every particular, the teller will turn his attention to the endorsement. Does the person presenting it represent himself to be the same to whom it is payable? If so, he will make certain as to his identity, or, if the cheque be presented by a second party, he must see that it is properly endorsed by the payee, and assure himself that the endorsement will be a satisfactory one to the drawer. If he notices anything suspiciously like a "kite," he should at once call his manager's attention to it.

### Drafts.

In paying drafts drawn by other branches of his institution, he will see that a proper advice has been received, and that no "stop payment" has been issued, and when he has assured himself by careful comparison that it is in order, the only necessary precaution, if payee is unknown, is identification; but in the case of foreign bank drafts he must treat them altogether differently, as he has no advice system to guard him, scrutinizing them closely and dealing with them with the same degree of caution that he would with a cheque; paying attention to a very ligitimate and by no means a small source of profit to the bank—a collection of a commission on such transactions.

### Deposit Receipts.

He will proceed to the stub of the receipt which was retained by the bank at the time the receipt was drawn, and see that the stub and receipt agree exactly. This procedure he will find a precaution, or a detection in case of a forgery, for, if proper attention is paid to routine, the original or genuine receipt, if paid, will be neatly gummed to the stub and a forgery detected at once. He will notice whether or not the receipt has remained the length of time stipulated to bear interest, and also that the signature of the officers signing the receipt are genuine.

He must be positive of the genuineness of the endorsement, taking special care that the receipt has not been transferred to, and presented by, a second party. The teller will endeavor to ascertain for what purpose the money is withdrawn; if for deposit in another institution there must be a cause for its removal, which he will ferret out, and will use his best persuasions to have it remain.

The various points to be noted by a teller with regard to

DEPOSITS.

To whose credit? The date. Ordinary or savings bank? An old client or a new one? if the latter, let him interview the manager, as it is very essential a manager should know his customers. He will insist upon customers making out their own deposit slip, and will see that all cash and cheques handed him are precisely as detailed upon it. If any alteration is necessary he will be very wise to have them made by the depositor himself, in his own handwriting. Take care that no false notes are tendered him, and that all cheques and drafts are in perfect order, endorsements correct, and endorsers perfectly responsible. He will notice if the bank is entitled to any commission on any cheques or drafts deposited and collect this very legitimate profit, which latterly has drifted to a great extent from the coffers of the banks to the purses of their clients. A teller will be wise to make a practice of seeing all loose cash removed from his counter before commencing to count a deposit, for in the case of an error being made by the depositor, and a recount being necessary, he is then positive that all the cash received lies before him, and in case of contradiction he is in a position to resist all accusations.

PAYMENTS OF NOTES.

In receiving payments of notes, the teller will only need to see that all coin and notes offered him are genuine, or if paid by cheque he will see that it is certified. He will do well to notice if a regular customer of his bank, and presumably of his bank only, retires his notes, according to custom, by his own cheque on, or by notes of, another institution. This may be an evidence of the transference of the account from his bank to another, and if it is a valued client he may, by reporting the facts to the

manager, be able to retain the account, as there is a possibility of a fancied grievance only, which the manager, by prompt application of the proper remedies, may dispel.

### Drafts Issued.

He will have the client fill out and sign a requisition for his requirements. He will note where draft is to be drawn on, and whether his bank has a branch at that point or not. If not, have they par facilities? He will see that the commission is sufficient, and, before handing the customer the draft, he will compare it with, and see that it is drawn in accordance with, the requisition and properly signed, making certain that he has received the proper equivalent in funds, and taking care to issue no draft, even of a small amount, to strangers, without responsible identification. Many banks have suffered by departing from this rule.

### Deposit Receipts.

He will have depositor fill out his requisition and sign it. See that he gets the value of the receipt issued and report to his superior officer any excessively large deposits made, especially when money is abundant, as it may be to the bank's advantage to refuse it.

### Receipts.

In receiving parcels the teller will note all particulars detailed upon the outside wrapper, comparing the figures of the bordereaux or letter inside, with those on the cover, and will preserve both until he is certain the contents are what they should be. In case of an error they may assist a fellow-officer to find where the mistake lies. If he has any doubt of the seals being intact he will break them before a witness. He will give due heed to his advices.

## How can a Teller Advance the Interests of His Employer?

By remembering at all times that his time is not his own but his employer's, and that he is paid for serving that employer to the fullest extent of which he is capable, and not for serving himself and suiting his own convenience, bearing in mind the fact that in serving his employer faithfully, he indirectly serves

himself, by establishing an enviable reputation for faithfulness and sincerity in the discharge of his duty. By not fearing to put himself out, to a greater or lesser extent, when an opportunity arises to advance the interests of the institution of which he is a representative officer. By extending towards a demanding and a deserving public, a manner most courteous and obliging at all times, and under the most trying of circumstances, and by affording all information to any client whomsoever, that may facilitate him in the discharge of his banking business, never forgetting that he knows not whom he may be addressing, and that by the slightest service he may advance his employer's interest to a very considerable degree. Conscious that he occupies a most conspicuous place in the eyes of the public, coming in contact with all persons who bank at his institution, (for few persons enter a bank who do not, either to receive or deposit money, have to approach the teller), that officer has a most favourable opportunity of pleasantly impressing them, by a quiet, bright, willing, and yet a dignified manner, allowing of no familiarity. But he must be something more, he must be correct, for a careless teller liable to error, may do much to remove faith in his institution, and, through frequent mistakes cause many little unpleasantnesses which materially assist in driving away custom, rather than the retention of it, which should be his chief aim. He must practice obedience, obeying the orders of his superior officers without the slightest deviation, not forgetting that habits of obedience, punctuality, promptitude, &c., may be contracted as well as bad habits, and that by setting a good example he may be doing his fellow officers a life long service, as well as doing a just one to his employer.

A teller must be "*alive.*" His business is not merely the mechanical work of paying and receiving notes and coin, it is something higher. He must be on the watch, and allow no opportunity, however small, to pass by neglected. He must seize each one and hold it firmly, for there is nothing so sensitive as an opportunity if it is not made use of in a prompt and proper way; it takes offence at procrastination or neglect and is gone never to return; therefore as every little counts, a teller who would succeed must not slight the multitude of small things. A teller must practice and develop a power of observance. He can

in the performance of his duties frequently obtain business for his institution, especially in deposits and *circulation.* In the cashing of cheque and drafts, by a question or two deftly put, he will sometimes discover that the money is wanted for deposit with an opposition bank, and by handling the customer properly he will save it for his own.

We will assume that a conscientious teller is also an ambitious one, and will not forget that every friend or enemy he makes, every dollar earned or saved, and every one lost, adds to or detracts from not only the reputation of himself and his institution, but also the reputation of his superior officers.

He will note the reason for withdrawal of deposits or accounts from other institutions, which are deposited with, or brought to his own, and will see that his own institution does not suffer in a similar way, and thus by benefiting his own bank, benefit himself, by profiting by the experience of others; and he will carry this invaluable quality further by watching how and where money is lost. Each transaction which has an unfortunate ending, he will take up at its inception, follow it clearly through each stage of its existence, see where the false step was taken, and where the bank should have stopped to avoid loss, and by constant practice of these researches, he will soon find that he is acquiring a knowledge at the expense of others that may stand him and his employer in good stead, and by the avoidance of such transactions, when he himself is placed in a position of responsibility, he will learn that the destiny of the branch he he guides, will be a much brighter one than it otherwise would have been.

He should acquire a knowledge more or less of every business in which the different clients of his institution are interested. We are assuming here, that some day he expects to serve his employer in a larger capacity than as a teller, for when he comes to the position of manager he will find himself quite incapable, unless he has prepared himself in this way, and what more fit time than when he is a teller! How can he advise his customers in connection with their business, unless he has a knowledge of it himself? How does he know where loss is likely to occur, and where profit is to be made unless he is posted? and if he is not able to do this he will find himself sadly deficient in a most

necessary qualification for a banker to possess—that of being able to give sound advice, based upon knowledge and good judgment, when it is needed—and he will soon find his clients drifting from him to his more enterprising and better informed confrère.

A teller will cultivate self-control and coolness as he will frequently need so bring them into play, in the case of a "run" for instance. He will at such a crisis as that, beware of allowing the panic of the public to extend behind the counter. If he does this he will serve his employer well.

Add to this the quality of

"CAUTIONARY BOLDNESS."

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## SPEECH ON THE SILVER QUESTION IN THE UNITED STATES.

Delivered by B. E. WALKER, ESQ.,

GENERAL MANAGER OF THE CANADIAN BANK OF COMMERCE,

At the Annual Banquet of the Canadian Bankers' Association, at Toronto, on the 7th June, 1893, in Response to one of the Toasts.

I do not know whether you have heard of the old Irish captain who was always ready to respond to any toast, but who invariably responded to every toast by relating his personal experiences at the battle of Waterloo. In one respect I fear I am like the old captain, for between the toast and what I am about to say there is little or no relation.

When our President asked me this afternoon if I would res ond to the toast of the Banks and the Banking Interests of Canada, I declined, but I offered to say something on the Silver question.

If we are to understand the Silver question as it exists in the United States to-day, it will be necessary to go back in history as far as the war. Shortly after the close of the war, in 1866, when the United States Government had paid off the bills of expense in connection therewith, the currency of all kinds not subject to interest exceeded $700,000,000; this consisted of (1) legal-tender notes, (2) the new notes being issued under the

National Banking system, (3) and a large amount of fractional currency, still required, because there was not only no gold or silver dollars, but also no subsidiary silver in circulation.

This was not by any means, however, all the paper money in circulation, for in addition there were some $830,000,000 of what were called treasury, or seven-thirty notes. These notes maturing in three years, and bearing seven and three-tenths per cent interest per annum, had half yearly coupons attached, and as soon as each coupon was cut off the notes were apt to go into circulation It is impossible to estimate what portion of these interest bearing notes circulated as money, but Mr. Spaulding, of Buffalo, who had much to do with the money legislation at this time, estimated the paper issues which acted more or less as currency, even as early as 1864, at over $1,000,000,000. A few years after, these treasury notes were almost entirely retired, but there was a considerable increase in the national bank circulation.

In 1873 the paper currency of all kinds amounted to about $750,000,000, and, apart from the fractional currency, this had been divided about equally between the legal-tenders or greenbacks and the national bank notes, and limits fixed for each. Among the many financial blunders in the United States, that of attempting to control the amount of paper money by making a rigid limit has been illustrated more than once. This, as you see, was a very large contraction as between 1866 and 1873, and as, in the Southern and South-Western States, there were a great many people in debt—people who had little to do with banks or wealth or finances—there was a very strong feeling in favor of what is called cheap money. They looked back to 1866 and saw high prices and apparent prosperity, and the old cry for "more currency" raised first in America by the Massachusetts colonists, early in the eighteenth century, was heard.

So you will see that in 1873 there was a large party in the United States who favored the free issue of money, not in silver, but money based on the credit of the Government. Some thought that if the Government issued legal-tenders instead of the national bank notes, the country would save interest on the bonds which the banks had to deposit as security for their circulation, and this feeling was intensified because the aggregate of

legal-tender money had been as high in 1865 as about $450,000,000, and had been reduced to $356,000,000 and fixed at that point.

In 1875 the bill for the resumption of specie payments was passed, the resumption to take place in 1879, and a stock of gold had to be accumulated in the meantime. This gold stock amounted to about $130,000,000, and you can understand how objectionable this was to the cheap money or greenback party. They did not believe in gold, and they did not want to see a further contraction take place in order to secure this stock of gold which was to bring about resumption. This party reached such strength that a bill was passed authorizing practically *fiat* currency—passed through Congress and Senate, and indeed it is alleged that President Grant actually signed it, but changed his mind and vetoed it. The greenback heresy was not, however, killed, although the bill was. It will be readily understood that in looking forward to the time of resumption in 1879, there was great dissatisfaction through a large part of the United States. You can also understand how it came about that the silver miners saw that they could make use of the voters in those agricultural states who wanted some kind of money that was cheaper than gold. They did make use of this dissatisfaction and obtained the passage of the Bland bill in 1878. In order, therefore, to get at the history of the silver heresy, we must go back to the earlier heresy in connection with paper.

The Bland Act of 1878 was, like much other legislation, a compromise. The silver advocates wanted free coinage, that is, the right to bring their silver bullion to the Mint, have it coined into dollars of the old standard of 412.5 grains and returned to them, as they are still permitted to do with gold. Much was made of the fact that down to 1873 free coinage existed, but the fact that the average amount coined for forty years was only about $160,000 per annum, was not so freely admitted. On the other hand it was thought by some of their opponents that as the gold which the country would have as the basis of the currency when the Resumption Act came in force was only $130,000,000, it would be well to have a certain amount of silver. So the mandate was issued that the Mint should buy silver

bullion at a rate not less than $2,000,000 a month and coin it into dollars

The effort to put these silver dollars into circulation was in a certain sense a failure. They never got rid of more than $60,000,000 or $70,000,000 of the actual coins, and the Government, having power under the act to issue treasury certificates against the silver in sums not less than $10, had to depend mainly on this form of currency being circulated. The clearing houses of New York, Boston and elsewhere concluded to have nothing to do with them. But the South did not object to them, and the Government resorted to expedients, some of them rather undignified, we would think, to get the certificates into circulation. The northern banks being obstinate and the change-making notes—smaller than $5—being all of the old legal tender issue, the Government concluded to withdraw these and substitute $1 and $2 silver certificates. The northern banks had to accept these, and as the South and West were becoming richer, the silver currency circulated in these states was constantly returning to New York, and eventually, the northern banks submitted and accepted the objectionable money. While these silver certificates merely represented the obligation of the Treasury of the United States to hand to the bearer so many actual silver dollars they were receivable by the Government for duties, and thus for a time they were sure to be practically as good as gold. From 1878 to 1884 the country apparently absorbed the new currency, and the National Bank note currency also slightly increased, the total increase from both sources being about $150,000,000. But in the East trouble was anticipated and borrowers even exacted gold contracts for loans of long periods. I can remember that in about 1881 or 1882 we were already expecting the disaster which has only now overtaken the country.

Let us now consider the period from 1884 to 1890. It was, on the one hand, a time of great prosperity, and the country received enormous amounts of gold from abroad. Because of the high tariff they had a large surplus in the revenue, with which they paid off the national debt at a rate unknown in the history of nations. The bonds, thus being rapidly called in for payment, when held by a National Bank could be replaced by purchasing

others, but this soon became unprofitable, and from 1884 to 1890 the contraction in the outstanding notes, for the redemption of which bonds had been held, amounted to nearly $200,000,000. Now, if the yearly issue of silver or silver notes under the Bland Act only amounted to $25,000,000 to $30,000,000, and if in six years the currency was contracted nearly $200,000,000 by the withdrawal of National Bank notes, it is easy to understand why there was no trouble. The silver issues simply filled the gap made by the retired bank notes. The silver advocates were able to say to the Eastern bankers: You croakers have been prophesying disaster for years, but the country uses up quite easily all the silver currency issued.

But the price of silver kept falling, and so in 1890 the silver advocates urged again their original views. They wanted in 1878, and they now wanted in 1890, free coinage—the right to bring 412½ grains of silver, even if only worth 60 or 65 cents, and have it stamped good for one dollar by the Mint. The Eastern bankers did their best to induce the politicians at Washington not to yield further to the silver faction, but politics ruled, and the so-called Sherman Silver Purchase Act was the result.

The Act was a compromise, and it is lamentable that such an eminent financier as John Sherman should have his name coupled with it.

The conditions of the Silver Act of 1890, however, differ from the Bland Act very materially. The amount of silver bullion authorized to be purchased under the old Act was $2,000,000 per month as a minimum and $4,000,000 as a maximum, the actual silver bought and coined being a little above the minimum; under the new Act 4,500,000 ounces are purchased monthly, and not coined into dollars unless required for public use. Under the old Act the notes representing the silver dollars were really the warehouse receipts of the Treasury; but the notes issued to defray the cost of the 4,500,000 ounces per month are a full legal-tender. The notes under the old Act were redeemable by the payment by the Treasury of the actual silver dollars represented, while the new notes are the direct promise to pay of the United States, and are redeemable in "coin." The new Act recites the fact that it is the established policy of the United States to "maintain the two

metals on a parity," and the Secretary of the Treasury is given discretion to redeem the notes in gold, which thus far he has practically always done. The Secretary also has power to sell bonds in order to protect the public credit. With this declaration of policy and this large discretion in the Secretary it was believed the enlarged amount of currency would work no harm.

But if those who were responsible for this legislation had viewed the future with accuracy, the Sherman Silver Purchase Bill would never have become law. The expenditure of the Government had been enormously increased by pensions and public works, so that there was no longer a large surplus in the revenue. Therefore there was no longer power to reduce the public debt, and no bonds being called for redemption, there was no further contraction of the National Bank currency. Apart from this, the amount of bonds held by National Banks to secure currency was, in the majority of cases, down to the minimum required by law. No room for more currency based on silver could be expected from this source, and owing to this and to the increase in the amount of silver purchased, the volume of new currency which must be absorbed by increased public requirements, or become a source of trouble, was very much larger indeed than under the Bland Act.

Trouble was deferred by some factors in the problem, but it came very soon. The crops of cotton and cereals marketed in 1891–2 were phenomenally large and the exports in consequence were unprecedented. This, together with the new duties to be imposed by the McKinley Bill, caused the imports for 1892–3 to increase beyond any previous year, while the corresponding crops with which to pay were not only moderate in volume, but low in price. Speculation in business had gone quite beyond prudent limits, and extravagance in expenditure of all kinds, public and private, was beyond all past experience.

During these years Austria, because she was building up a gold stock preparatory to a resumption of specie payments, and France, always ready to buy gold from nations who do not know how to value it, were acquiring gold as opportunity offered. So that while the enormous exports of 1891–2 should have caused the United States to receive large sums in gold, securities came home instead; and when the large imports of 1892–3 had to be

paid for, the terrible drain in gold, which we have witnessed with so much concern, was quite natural. Doubtless securities were sent home to some extent because of uncertainty as to the parity of gold and silver being maintained, but I am disposed to think that this has not been so much the case as many suppose. If gold is ordered from New York by a European banker it has to be paid for in some way. If the conditions of ordinary trade do not permit the shipment, securities generally come home. American securities in Europe are at such a time apt to be worth more for the purpose of being sent home than for the uses of an investor there. This is too obvious to need explanation to bankers.

Well, this drain of gold has gone on until the stock in the Treasury is below what is arbitrarily called the danger point, $100,000,000. The fear that the Treasury may not be able to maintain the parity of gold and silver is spreading, and the evil results of all the folly which has been committed since 1878 are at last evident to all who wish to see.

But there are two other grave defects in the financial machinery of the United States which aggravate the present troubles—the Banking system and the Treasury system. The United States Bank had many blemishes, but they were defects in management rather than in the principles on which the bank was based, and when Andrew Jackson ruthlessly killed it by vetoing the re-charter in 1832, he condemned the United States to depend upon thousands of small banks, individually weak and unable to concentrate the banking forces of the country in times of trouble. Had it not been for this blunder the Government in the early years of the war would not have been so helpless, and, doubtless, the mischievous theory that the Government should create the currency would not have taken such a strong hold of the people. If it had not there would have been no Silver question to discuss to-night. When Jackson had struck his blow at the great state bank, he tried to use the smaller institutions as bankers for the Government, but this experiment failed, and as a result, the Independent Treasury Act was passed in 1840. Unfortunately, during the past half century almost as many people have believed this Treasury system to be sound financial policy as have believed in the National Banking system. But it is really the

financial system of the old woman who hides her money in a tea-pot instead of entrusting it to a bank. The citizens of the United States, individually, are expected to trust banks, but collectively they must not. What is the difference between an Indian rajah who puts his rupees away in a great vault, and the United States Treasury, which abstracts from the currency of the country, and hides in its vaults, the gold, paper or silver it receives in excess of each day's disbursements, yielding it up only when the disbursements exceed the receipts? Whatever is the average cash lodged in the Treasury is thus permanently withheld from the volume of currency used by the business community, and in proportion as the receipts and disbursements differ from time to time, there is a contraction or expansion of the currency in general use. What mischief this caused when the receipts were nearly half a million dollars per day in excess of ordinary expenses, and this surplus was accumulated to pay off bonds, we all know. Is it any wonder that when money was stringent in New York the bankers implored the Secretary of the Treasury to "call more bonds." They were in effect only asking an institution which was "hoarding currency" to return it to the circulation of the country. Scientifically there is no difference between the United States Treasury system and the old woman who trusts only her tea-pot, or her bed-tick, or her stocking, as a savings bank.

Let us now consider the bearing of all this on the Silver question. The destruction of the United States Bank caused the Independent Treasury Act. There being no great state bank, the Government in its hour of peril, in 1861, issued, for the first time, ordinary currency in the shape of circulating notes not bearing interest. This seductive method led to the theory that the Government should create the currency of the country, and the prevalence of this theory enabled the silver miners to befog the intellect of a majority of the people and obtain the legislation we have been discussing. But by issuing the currency of the country the Treasury assumed responsibilities tremendous in extent and not contemplated at all by the originators of the system. The Government undertook, with some classes of currency directly, and with some indirectly, but with all, practically, that they should be redeemable at the Treasury in gold. The foreign

banking business of the United States is, for reasons you all understand, transacted mainly by private bankers and the agencies of foreign joint-stock banks. The national and state banks cannot be compelled to pay out gold. Therefore when the currency of the world, which is gold, is required for shipment abroad by a banker dealing with foreign countries, the Treasury is the only source of supply. But as the Treasury is not a bank it has no machinery by which it can repair a breach in its gold stock. It cannot buy it at a premium without authority from Congress. If the people choose to become alarmed its daily receipts for public dues naturally assume the shape of any kind of money less valuable than gold, as we have seen lately; and the poor Treasury lies helpless, its source of supply of gold cut off—forced to appeal to the patriotism of banks for aid.

The last Mint report states that there is in the United States, gold to the extent of $560,000,000 to $570,000,000, while other authorities claim a much larger amount. The supply in any event seems to place the United States only second, that is, next to France, among the holders of gold in the world. Is it not the most extraordinary financial spectacle the world has ever seen, that with this supply there is doubt as to the ability to maintain the parity between gold and silver? Why, the people of the United States, with such a gold stock, could carry safely paper money to the extent of a billion or a billion and a half of dollars, if the currency were really wanted for the requirements of trade, and were issued from the right source—that is, if it were issued by the banks, who control the gold stock. But those who have the gold, and who carry on the financial operations connected with the trade of the country, out of which the necessity to ship gold to foreign countries arises, have no responsibility to find gold when it is wanted; while the Government, which has not the power to control a dollar of gold unless the people or the banks choose, undertakes practically to redeem in gold the whole volume of paper money in the country. The country with such a gold stock has an abundant supply of precious metal, even if all the silver were disposed of, provided the machinery be effective, but the machinery is perhaps the worst that could be devised.

The first act of reform in this drama of folly is, of course, to repeal the Sherman Silver Purchase Act. I am afraid we have not quite the faith in the present administration that we had five or six months ago. They are supposed to be giving the people an object lesson preparatory to calling Congress together. I fear the object lesson is offered to those whose views regarding silver are already sound, and not those in the South and Southwest, who most of all need to be informed. Perhaps, indeed, the agriculturists of these states rather enjoy it when the rich fellows in the East are having a hard time of it financially.

However, it is to be remembered that there is one measure which can be offered to these states as an inducement to consent to the repeal of the Silver Act. We have seen that "cheap" money is what they mostly want. At first, *fiat* money, which they failed to get; then silver money, which they got, but which, somehow, has not done them the expected good. Now, if the the Democratic party would carry out the promise they have repeatedly made during the past twenty years, and remove the federal tax of ten per cent. per annum imposed on the note issues of state banks, these states could give as liberal charters to banks as they pleased and have plenty of currency. Doubtless the result in certain localities would be very bad indeed, but any trouble would probably be local, and we might hope that it would be a real object lesson and lead to more intelligence regarding banking and currency. In many of the states, on the other hand, the systems of banking would be excellent, as they were, indeed, in New England, New York, Louisiana, and elsewhere, before the war. Pray do not suppose, however, that I am advocating charters by the various states as opposed to a sound system under a Federal Act.

In the end we must hope that great reforms in Currency, Banking, and Treasury systems will come about. Of the ultimate good sense of the people of the United States I have no doubt whatever. One of the evil qualities, however, which seem to be inseparable from the good qualities in democracy at present, is that the people of the United States have no respect for authoritative opinion. In England, under similar circumstances, the people would seek the opinion of such men as Mr. Goschen. But in the United States the Southern and Western people regard

only with suspicion as to its sincerity the opinion of Eastern bankers and economists, who have studied this and kindred subjects all their lives. If a new Secretary of the Treasury or Comptroller of the Currency is wanted, a Western or Southern man is selected, who perhaps has never had an international commercial transaction in his life, and who confessedly has no training for the position. However, it must be admitted that they learn with great rapidity at least the routine of their offices, whereas in a country where the people are less adaptable to new circumstances such a system would be ridiculous.

The Silver Purchase Act will doubtless be repealed, although it is well not to be too certain. In any event, so far as Canada is concerned, although it is a very complex question, there is little ground for alarm. Should the Act not be repealed and the United States pass from gold to a silver basis, the Canadian banks having funds loaned there would have some difficulty in keeping their money on a gold basis. although most of their money is already loaned against contracts repayable in gold. So far as trade between the two countries is concerned, we got along for eighteen years while our money was on a gold basis and theirs was not; we traded with each other and bankers found the fluctuations in exchange an added source of profit. I, however, believe in conditions free from such speculative elements, and I hope and believe that that great country will never fall from the gold standard. Whatever they do there is no fear that Canada, which has always, except for a short period during the rebellion of 1837, been on a gold basis, will depart from her sound standards of financial morality.

I must thank you, gentlemen, for listening so patiently to what I have said. I have taken an unfair advantage of you in your comfortable post-prandial condition, by forcing you to listen to a speech so different from what is customary at this hour of the evening.

# Recent Legal Decisions.

(Communicated by Mr. Frederic Hague, B. C. L.)

PROVINCE OF QUEBEC CASE, JUDGMENT OF PRIVY COUNCIL.

La Banque du Peuple and the Quebec Bank, v. Bryant, Powis and Bryant, Ltd.

*Principal and agent—Power of Attorney—Power to borrow must be express—Indorsement of bills "per pro."*

HELD: that an agent who is authorized by his power to make contracts of sale and purchase, charter vessels and employ servants, and as incidental thereto to do certain specified acts, including indorsement of bills and other acts for the purpose therein aforesaid, but not including the borrowing of money, cannot borrow on behalf of his principal or bind him by contract of loan, such acts not being necessary for the declared purpose of the power.

Where an agent accepts or indorses "per pro" the taker of a bill or note so accepted or indorsed is bound to inquire as to the extent of the agent's authority; where an agent has such authority, his abuse of it does not affect a *bona-fide* holder for value.

The suit of La Banque du Peuple was based upon two promissory notes made by S. W. & Co., to the order of B. P. & B., and indorsed by D. in their name purporting to sign as their agent. The notes were pledged by D. with the bank as collateral security *for a loan to himself.*

The Superior Court held that D.'s power of attorney was in force at the date of the indorsement, but by its terms no authority was given to him to borrow money or to contract loans, and, consequently there was no authority to pledge the promissory notes. The Appellate Court by a majority decided that he had such authority. This latter judgment is now reversed by the Privy Council.

The appeal of the Quebec Bank was on a suit brought on two bills of exchange for £1,000 drawn by J. S. M. & Co., and indorsed before acceptance by them, and by D. in the name of B. P. & B. and as their agent, and discounted by the Bank in the ordinary course of business.

The question in this appeal, as in the other, was mainly as to the authority of D. to bind B. P. & B. by his indorsement. The judgments both of the Superior Court and the court of Appeal of the Province of Quebec, that in this case he could bind the company, is here confirmed. The part of the power of attorney to D. on which the judgments turned reads as follows:—

* * * * "The company doth hereby appoint C. G. D. to be the true and lawful attorney of the company, for, in the name and on the behalf of the company, to enter into any contracts for the purchase or sale of goods and merchandise * * * and to draw and sign cheques on the bankers for the time being of the company and to draw accept and endorse bills of exchange, promissory notes, bills of lading, delivery orders, dock warrants, coupons, bought and sold notes, contract notes, charter parties, accounts, current accounts, sales, and other documents, which shall in the opinion of the said attorney require the signature and indorsement of the company, * * * and to do, execute and perform, any other act, matter or thing whatsoever which ought to be done, executed, or performed, or which in the opinion of the said agent or attorney ought to have been done, executed or performed in or about the business affairs of the company."

The judgment of their Lordships was delivered by Lord Macnaughton, of which the following is an extract:—

* * * * To put it shortly, the power of attorney authorized D. to enter into contracts or engagements for three specified purposes: (1) the purchase or sale of goods; (2) the chartering of vessels; (3) the employment of agents and servants; and as incidental thereto and consequential thereon, to do certain specified acts and other acts of the same kind as those specified. If the instrument be read fairly, it does not in their Lordship's opinion, authorize the attorney to borrow money on behalf of the company, or to bind the company by a contract of loan.

It appears to their Lordships, that the words quoted in the judgment of the Court of Queen's Bench, are to be read in in connection with the introductory words of the sentence to which they belong "for all and any of the purposes aforesaid." So read, the words in question do not confer upon the agent powers at large, but only such powers as may be necessary, in addition to those previously specified, to carry into effect the declared purposes of the power of attorney.

In the suit of the Quebec Bank the bills in question were indorsed in the name of the company "per pro C. G. D.," and discounted by the bank in the ordinary course of business. The bank were *bona-fide* holders for value. The fact that D. abused

his authority and betrayed his trust cannot affect *bona-fide* holders for value of negotiable instruments indorsed by him apparently in accordance with his authority.

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PROVINCE OF QUEBEC CASE.

IN THE SUPREME COURT.

Stevenson v. Canadian Bank of Commerce.

*Insolvency—Knowledge of by creditor—Fraudulent preference—Warehouse receipt.*

W. E. E., connected with two business firms in Montreal, viz., the firm of W. E. E. & Co., oil merchants, of which he was the sole member, and E. F. & Co., wine merchants, made a judiical abandonment on 18th August, 1889, of his oil business. Both firms had kept their accounts with the Bank of Commerce. Tne bank discounted for W. E. E. & Co., before his departure for England on 30th June, a note of $5,087.50 due 1st October, signed by J. E. & Co., and endorsed by W. E. E. & Co., and E. F. & Co., and on the 5th of July took as collateral security from F., who was also W. E. E.'s agent during his absence, a warehouse receipt for 292 barrels of oil, and the discount was credited to E. F. & Co. On or about the 9th July, 146 barrels were sold and the proceeds, viz., $3,528.30 were subsequently, on the 9th August, credited to the note of $5,087.50. On the 13th July McD. L. & Co., failed and W. E. E. was involved in the failure to the extent of $17,000, and on the 16th July, F. as agent for W. E. E. left with the bank as collateral security against W. E. E.'s indebtedness of $7,559.30 on the paper of McD. L. & Co.. customers' notes of the oil business to the amount of $2,768.28, upon which the bank collected $1,603.43, and still kept a note of J. P. & Co., unpaid of $1,165.32.

On the return of W. E. E. another note of J. E. & Co., for $1,101.33, previously discounted by W. E. E., became due at the bank, thus leaving a total debt of the E. firms on their joint paper of $2,660.53. The old note of $5,087.50 due 1st October, and the one of $1,101.33 were signed by J. E. & Co., and on the 10th August were replaced by two notes signed by E. F. & Co., and secured by 200 barrels of oil, viz., 146 barrels remaining from the original number pledged and an additional warehouse receipt

of 54 barrels of oil, endorsed over by W. E. E. to F. E. & Co., and by them to the bank. The respondent, as curator for the estate of W. E. E. & Co., claimed that the pledge of the 200 barrels of oil on the 10th August, and the giving of the note on the 16th July to the bank were fraudulent preferences. The Superior Court held that the bank had knowledge of W. E. E.'s insolvent condition on or about the 16th July, and declared that they had received fraudulent preferences by receiving W. E. E.'s customers' notes and the 200 barrels of oil, but the Court of Appeal, reversing in part the judgment of the Superior Court, held that the pledging of the 200 barrels of oil by E. F. & Co., on the 10th August was not a fraudulent preference.

On an appeal and cross appeal to the Supreme Court,

HELD:—1. That the finding of the court below of the fact of the bank's knowledge of W. E. E.'s insolvency dated from the 16th July was sustained by evidence in the case, and there had therefore been a fraudulent preference given to the bank by the insolvent in transferring over to it all his customers' paper not yet due. Gwynne J dissenting.

2. That the additional security given to the bank on 10th August of 54 barrels of oil for the substituted notes of E. F. & Co., was also a fraudulent preference. Gwynne J. dissenting.

3. Reversing the judgment of the Court of the Queen's Bench, and restoring the judgment of the Superior Court, that the legal effect of the transaction of the 10th August, was to release the pledged 146 barrels of oil, and that they became immediately the property of the insolvents creditors, and could not be held by the bank as collateral security for E. F. & Co.'s substituted notes. Gwynne and Patterson, J. J., dissenting.

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PROVINCE OF ONTARIO CASE.

COURT OF APPEALS, ONTARIO.

Tennant v. The Union Bank.

*Warehouse receipts—Transfer of goods in transit.*

The plaintiff was assignee for benefit of creditors of a firm of saw-millers who had obtained large advances from the defendants on the security of a third person's promissory notes endorsed by the firm. To this third person, in pursuance of a previous written agreement to that effect, whereby the firm pledged to him a quantity of logs or timber limits and the lumber to be manu-

factured therefrom, the firm gave warehouse receipts on logs, described as being in certain lakes in transit to the mills, and also subsequently in conformity with an agreement with the bank when the advances were made, on lumber in the mill yards, manufactured from the logs pledged, and the warehouse receipts were by him endorsed over to the bank.

HELD:—That the warehouse receipts were bad as to the logs, the lakes not being a "place kept by the signers of the receipts."

HELD:—Further, (Burton J. A. dissenting) that the warehouse receipts were good as to the lumber and had been validly acquired by the bank by indorsement from the holder under s.s. 53 and 54, of R. S. C. c. 120. (Corresponding to sections 73 and 74 of present Bank Act.)

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PROVINCE OF NEW BRUNSWICK CASE.

IN THE SUPREME COURT.

Boyd v. Bank of New Brunswick.

*Banks and banking—Shares of bank stock held by deceased person—Injunction to compel transfer of shares to executor—Shares specifically devised.*

B. held 20 shares of stock of the above bank, registered in her name at the time of her death. Probate of her will was granted to the plaintiff, who wished to sell and dispose of the shares and have the bank assign and transfer the same to the purchasers under ss. 29 and 30, of the Bank Act, (35 and following sections of present Act.) He then made and fyled with the bank the declaration provided for by Sec. 32, of the Act, (Sec. 39 of present Act) and also fyled a copy of the probate of the will showing that he was executor, and required the bank to transfer the stock to him as such, which they refused to do, on the ground that by the will the stock was specifically bequeathed to be divided among certain legatees. The plaintiff then applied for a mandatory injunction to compel the transfer, and the question raised was whether the bank was compelled to do so without the consent of legatees and *cestuis que trustent.*

HELD:—That by R. S. C., c. 120 it was the duty of the bank to make the transfer, when the provisions of ss. 32, 34 and 35 had been complied with, and that there was no obligation on the bank to see that the bequests of the will were carried out by the executor.

NOTE—It is a question whether this rule would be applicable in the Province of Quebec.

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MONTHLY TOTALS of BANK CLEARINGS during eight months of 1892 and 1893, at the cities of Montreal, Toronto, Hamilton and Halifax, as reported to the *Journal*.

| — | MONTREAL. | | TORONTO. | | HAMILTON. | | HALIFAX. | |
|---|---|---|---|---|---|---|---|---|
| | 1892. | 1893. | 1892. | 1893. | 1892. | 1893. | 1892. | 1893. |
| January..... | $ 44,109,488 | $ 50,498,973 | $ 29,069,057 | $ 30,226,941 | $ 3,267,512 | $ 3,292,386 | $ 6,056,173 | $ 5,044,467 |
| February.... | 37,983,306 | 46,149,389 | 23,610,467 | 23,704,495 | 2,760 386 | 2,830,935 | 4,570,631 | 4,202,569 |
| March..... | 45,082,566 | 50,791,417 | 27,052,738 | 26,282,197 | 2,872,198 | 3,124,681 | 4,687,577 | 4,759,005 |
| April..... | 47,012,991 | 42,274,827 | 24,291,169 | 26,974,686 | 3,325,354 | 3,122,325 | 4,774,882 | 4,906,327 |
| May..... | 45,693,693 | 49,629,342 | 24,636,677 | 25,747,669 | 3,017,890 | 3,510,787 | 4,715,522 | 5,334,246 |
| June..... | 46,744,964 | 47,244,749 | 26,994,818 | 25,823,084 | 3,240,330 | 3,204,246 | 4,984,839 | 5,105,123 |
| July..... | 54,216,858 | 49,301,208 | 28,784,881 | 27,043,625 | 3,185,734 | 3,274,564 | 5,237,688 | 5,510,016 |
| August..... | 50,329,314 | 47,414,660 | 24,228,431 | 22,311,189 | 2,960,314 | 2,847,937 | 5,286,057 | 5,414,015 |
| | $371 173,180 | $383,304,565 | *$208,668,238 | *$208,113,886 | $ 24,629,718 | $ 25,207,861 | $ 40,313,369 | $ 40,275,768 |

*NOTE—These totals do not include the clearings of the Bank of Toronto,

STATEMENT OF BANKS acting under Dominion Government charter for the month ending 31st August, 1893, with comparisons:

LIABILITIES.

| | Aug. 1893. | July, 1893. | Aug. 1892. |
|---|---|---|---|
| Capital authorized | $ 75,458,635 | $ 75,458,685 | $ 75,958,685 |
| Capital paid up | 62,029,038 | 61,954,773 | 61,640,390 |
| Reserve Fund | 26,062,576 | 26,031,245 | 24,772,564 |
| Notes in circulation | $ 33,308,967 | $ 33,573,468 | $ 32,646,187 |
| Dominion and Provincial Government deposits | 6,245,892 | 6,734,509 | 5,409.302 |
| Public deposits on demand | 61,437,993 | 64,563,263 | 64,764,748 |
| Public deposits after notice | 105,015,710 | 106,458,471 | 98,058,015 |
| Bank loans or deposits from other banks secured | 103,278 | 153,266 | 155,000 |
| Bank loans or deposits from other banks unsecured | 2,718,117 | 2,616,681 | 3,501,208 |
| Due other banks in Canada in in daily exchanges | 132,048 | 167,081 | 152,488 |
| Due other banks in foreign countries | 169,273 | 124,796 | 211,765 |
| Due other banks in Great Britain | 5,538,573 | 4,600,301 | 4,631,499 |
| Other liabilities | 250,002 | 327,591 | 226,561 |
| Total liabilities | $214,919,947 | $ 219,319,527 | $ 209,756,866 |

ASSETS.

| | | | |
|---|---|---|---|
| Specie | $ 7,706,937 | $ 6,597,642 | $ 6,703,823 |
| Dominion Notes | 12,749,809 | 12,607,562 | 12,457,887 |
| Deposits to secure note circulation | 1,818,448 | 1,827,267 | 1,761,259 |
| Notes and cheques of other banks | 6,519,972 | 8,554,319 | 7,031,487 |
| Loans to other banks secured | 83,385 | 125,000 | 156,581 |
| Deposits made with other banks. | 3,228,902 | 3,274,546 | 4,163,411 |
| Due from other banks in foreign countries | 13,562,629 | 15,616,213 | 24,809,507 |
| Due from other banks in Great Britain | 3,364,470 | 3,860,549 | 1,323,559 |
| Dominion Government debentures or stock | 3,188,572 | 3,188,572 | 3,328,421 |
| Public, Municipal and Railway securities | 15,378,187 | 15,080,602 | 16,836.365 |

| | Aug. 1893. | July 1893. | Aug. 1892. |
|---|---|---|---|
| Call Loans on bonds and stocks. | 14,398,606 | 15,141,457 | 17,487,343 |
| Loans to Dominion and Provincial Governments | 1.426,480 | 1,036,635 | 1,086.240 |
| Current loans and discounts | 205,956,200 | 206,937,558 | 186,312,886 |
| Due from other banks in Canada in daily exchanges | 125,270 | 125,000 | 240,456 |
| Overdue debts | 2,964,999 | 2,856,682 | 2,379,312 |
| Real estate | 912,783 | 918,768 | 1,105,532 |
| Mortgages on real estate sold | 660,395 | 668,861 | 846,409 |
| Bank premises | 4,914,737 | 4,892,584 | 4,583,162 |
| Other assets | 1,901,035 | 1,118,892 | 1,438,758 |
| Total assets | $ 300,863,015 | $304,428,029 | $294,052,600 |
| Average amount of specie held during the month | 6,956,448 | 6,369,996 | 6,676,021 |
| Average Dominion notes held during the month | 11,744,457 | 11,904,751 | 12,169,775 |
| Loans to directors or their firms. | 7,978,632 | 7,808,506 | 6,823.246 |
| Greatest amount of notes in circulation during month | 34,750,617 | 34,773,994 | 33,699,271 |