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JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

JANUARY—1898

PROCEEDINGS OF THE SIXTH ANNUAL MEETING OF THE CANADIAN BANKERS' ASSOCIATION

THE sixth annual meeting of the Association was held at the Clifton House, Niagara Falls, Ontario, on Wednesday and Thursday, the 6th and 7th days of October, 1897.

The chair was taken by the President, Mr. F. Wolferstan Thomas.

The following members were represented:

BANK	REPRESENTED BY
The Bank of New Brunswick	James Manchester, a Director
The Bank of Toronto	D. Coulson
The Banque d'Hochelaga	M. J. A. Prendergast
The Bank of Ottawa	Geo. Burn
The Bank of British North America	H. Stikeman
The Banque Jacques Cartier	T. Bienvenu
The Canadian Bank of Commerce	J. H. Plummer

The Eastern Townships Bank -	Wm. Farwell
The Imperial Bank of Canada - -	D. R. Wilkie
The Merchants Bank of Canada -	Geo. Hague
The Merchants Bank of Halifax -	D. H. Duncan
The Molsons Bank - - - - -	F. Wolferstan Thomas
The Quebec Bank - - - - - -	Thos. McDougall
The Traders Bank of Canada -	H. S. Strathy

The following Associates in addition to those representing members were also present: D. B. Crombie, Thorold; W. H. Draper, Hamilton; A. D. Durnford, Montreal; G. M. Gibbs, Simcoe; H. J. Grasett, Waterloo; A. L. Hamilton, Dunnville; G. W. Hodgetts, St. Catharines; F. S. Jarvis, Galt; R. C. Jennings, Toronto Junction; Wm. Maynard, jr., Stratford; Colin M. McCuaig, Woodstock; E. R. Niblett, Hamilton; W. H. Fisher, St. Catharines; W. Philip, St. Catharines; Wm. Pringle, Stratford; D. M. Stewart, Montreal; Stuart Strathy, Hamilton; W. Graham Browne, Toronto; C. W. Clinch, Toronto; W. H. Thomson, Winnipeg; J. R. Wainwright, Norwich; C. White, Niagara Falls; E. P. Winslow, Stratford; W. C. Young, Brampton.

Mr. H. Markland Molson, a director of the Molsons Bank, and former associate, and Mr. Z. A. Lash, Q.C., Toronto, counsel for the Association, were also present.

(On the second day of meeting, Messrs. Conrad Jordan, Assistant Treasurer of the United States, at New York, and Robt. McCurdy, of Youngstown, Ohio, President of the Ohio Bankers' Association, were present as guests of the Association.)

After the meeting had been called to order, the Secretary, Mr. W. W. L. Chipman, read the formal notice calling the meeting, and the President declared the proceedings opened.

Mr. D. R. Wilkie, General Manager of the Imperial Bank of Canada, welcomed the visiting bankers in the following terms:

Mr. President and Gentlemen :—

I suppose I have been called upon to address you on this occasion because I am identified with this district. I have heard of gentlemen going to Rossland and investing in real estate, and of others who talk about going to the Yukon, but we have plenty of opportunities for investment here in this

most delightful neighborhood. You have been accustomed to hear of Niagara Falls as a place infested by side-shows and exacting cabmen, but this is not true so far as this side of the river is concerned, and we are happy to extend to you all the hospitality it provides. So far as this Association is concerned, it is a good thing to get together to discuss our affairs, and better still to talk them over in such a lovely spot as Niagara Falls, which arts and industries are making more attractive year by year. I speak on this point, however, principally as regards the developments on the other side of the river. On the Canadian side the manufacturing industries have not interfered with the preservation of this beautiful park. It is hoped, however, that some day the restrictions now governing the park, may to some extent be removed, and that industries now unknown to this side may flourish. We have here the most beautiful scenery, combined with the most wonderful water power. On behalf of the Lower Bridge Company I have been asked to extend to you an invitation to make use of that great structure, the erection of which, in so short a period of time, has not been equalled in the world before. The work of constructing that bridge on the site of the old one was carried on without the cessation of one hour's traffic, a fact which entitles the engineers to the highest praise. You will notice that a new bridge has just been started here in front of us, and this is the result of the success of the erection of the Lower Bridge.

I hope you all will enjoy your visit to Niagara Falls, and if there is anything to be done that can add to that enjoyment, I shall be very happy, as the representative of the one institution here, to assist in supplying what may be needed. I regret that I am obliged to leave the meeting now, so as to be present in Toronto at the banquet of the Board of Trade to the Dominion Premier.

Mr. Colin M. McCuaig, of the Molsons Bank, Woodstock, briefly responded on behalf of the visiting Associates.

The Secretary read letters received from the Institute of Bankers, London, England; the Institute of Bankers in Scotland, Edinburgh, Scotland; the Manchester and District Bankers' Association, Manchester, England, regretting their inability to send a representative to attend the meeting.

On motion of the President, the minutes of the last annual meeting, having already been published in the JOURNAL of the Association, were taken as read and confirmed.

Messrs. H. S. Strathy and T. Bienvenu were appointed scrutineers.

The President then delivered his address as published elsewhere in this issue of the JOURNAL.

The meeting adjourned until 4 o'clock, p.m.

AFTERNOON SESSION

The President called the meeting to order at 4 o'clock.

PRESIDENT'S ADDRESS

MR. COULSON—I beg to move a vote of thanks to the President for the more than interesting address which he has delivered. It affords me a great deal of pleasure personally to be the medium of expressing our thanks to him for the able and eloquent address which we have heard; it has no doubt been the result of much study and research.

MR. PLUMMER—Should it not be printed as part of the proceedings of the meeting?

MR. COULSON—Yes.

MR. PRENDERGAST—I wish to add a few words to Mr. Coulson's remarks. I heartily second that vote of thanks, and I would also say, Mr. President, that your address contains many valuable suggestions—more in fact than we can thoroughly discuss during the coming year. I would also tender you the best thanks of our French Canadian friends for the kindly expressions you have used regarding our countryman, Sir Wilfred Laurier, the Premier of this Dominion.

The motion being carried, the President said:

I am very thankful if I have been able to render any services to the Association, or to my profession. Of course I shall never again be President of the Canadian Bankers' Association, as I am getting up in years, but I wish to say that I am pleased to have been its President in the year of Her Majesty's Jubilee, and I shall associate this in my mind with the highest position which the banking profession can confer upon a brother banker. (Applause.) I am exceedingly obliged to you, gentlemen.

REPORT OF THE EXECUTIVE COUNCIL

Mr. Chipman, the Secretary, then read the Annual Report of the Executive Council, discussion on certain portions thereof taking place as the clauses were read :

6th October, 1897

To the Members and Associates :

The Executive Council beg to report as follows concerning the work of the Association since the Annual Meeting of 9th September, 1896.

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

LEGISLATION

The last session of the Dominion Parliament was most fruitful of attempted legislation, directly and indirectly affecting the interests of banks, calling for very close attention on the part of the Solicitor of the Association, and your President. A full report of the more important matters dealt with will be presented in a special paper which Mr. Lash has been good enough to prepare, and the bearing of these measures on the welfare of the banks will be made clear to you.

It is a matter for congratulation that the efforts of the Association were successful in obtaining a remedy for the false position in which they and their clients were placed, under the Bills of Exchange Act, in respect of forged and unauthorized endorsements, as shown by the decision of the English Courts in the case of the London & River Plate Bank v. the Bank of Liverpool.

Your attention is drawn to the amendment at clause 22 of the Act, as introduced by the Hon. Minister of Justice in the Senate, of which report is made on page 413 of the July JOURNAL, and under which the banks have secured nearly all the protection they desired. A Special Committee was appointed at the Council meeting in April last to act with Mr. Lash in considering the provisions of the new amendment, and it was part of their instructions to seek the addition of clause 60 of the English Act to the recent legislation should they deem it advisable. After hearing the opinion of the Solicitor on this point, and should the members still desire the addition of this clause, you will be asked in due course to re-name the Special Committee.

Your Council had the active support of the Bankers' sections of the Boards of Trade at Montreal and Toronto in dealing with this important matter,and they desire to make due acknowledgment thereof.

In the province of Quebec, letters patent were sought by a Loan Company desiring to receive deposits as a basis for loans, and your Council is pleased to report that, on representations made by the President, the clause so empowering them was withdrawn from their application for a charter.

At Ottawa a similar question arose in connection with another Loan Company, with headquarters in the province of Quebec, and the Association was again successful.

Other legislation trenching on the privileges of the chartered banks was successfully combated, as the Solicitor's report will show.

In this connection it should be the aim of the banks to have all the building and loan societies substitute debenture issues for deposits, that these societies may not continue to jeopardize their interests, and those of the country at large, by investing short term deposits in long term loans resting on immovables.

MINOR PROFITS IN BANKING

In accordance with the resolution of last annual meeting, the committee report on Minor Profits was put in print, and distributed amongst the banks along with a circular from the President inviting opinions thereon. A number of banks responded.

From the Canadian Bank of Commerce a special memorandum was presented, dealing exhaustively with the subject.

In view of the important information conveyed, your Council requested that it be communicated to the banks generally through the JOURNAL, and an epitome will appear in the next issue.

Meantime, certain calculations used in the memorandum, exhibiting the hidden cost of short date transactions handled by the banks, conveying in themselves much needed warning, have been arranged in card form by Mr. G. H. Meldrum, an official of the Canadian Bank of Commerce, and will shortly be issued by the Association to the banks.

The decision which the Executive Council arrived at on the general question of schedule rates was, that united action was not practicable at the present time; and they urged, in effect, that branches contiguous to one another, and in constant business communication should arrange their own tariffs, with the consent of their head offices, and in time lead up to the united and more comprehensive arrangement which the committee's report contemplated.

Some misapprehension of the intent of the schedules quoted in that report, appears to have existed, and the Council draw attention to the fact to say, in answer to those who claim that in many instances they already obtain better rates, that the schedules were not chosen as the only ones which were to prevail, but simply expressed the minimum figures at which a banker should contract with his customer.

The consideration of this question, and others of similar import, impressed upon the Council the wisdom of the recommendations so constantly brought forward in the annual reports, viz., that sub-sections should be formed in certain sympathetic areas, to facilitate grappling with, and overcoming, just such difficulties as have arisen.

Rates of discount equally with commissions have a most important bearing on the subject of minor profits, and any general schedule scheme should embrace them as well.

RATES OF INTEREST ON DEPOSITS

It is to be regretted that your Council cannot yet report a complete agreement in all the provinces, to reduce the maximum rate of interest on deposits to three per cent., yet the progress made warrants the belief that the incoming Council will be able to establish a uniform arrangement, and that it will relate not only to new deposits, with which limit the present Council had to content themselves, but to old moneys as well.

The basis and method of calculating interest on deposits has had the attention of the banks in Toronto and Montreal, and in view of the existent lack of uniformity, a resolution will be presented for your consideration dealing therewith.

GOVERNMENT RATE OF INTEREST

The action of the Dominion Government in bringing down the rate of interest on Government and Post Office savings' deposits to three per cent. from the first of July last, is to be commended, saving, as it does, a considerable sum to the revenues of the country, and establishing in the reduced rate, the truer value of the deposits.

EXPRESS COMPANY COMPETITION

The committee appointed to devise methods for meeting the competition of express companies, sat at Montreal, and framed a report which was referred to the banks under a circular from the President.

Appended to this report is a synopsis of the replies received regarding the proposals of the committee, and it is now for the members to take action in regard thereto, or for the annual meeting to continue the committee in office, with a view to secure a modified proposal at their hands.

The Postmaster General was communicated with in July last, as suggested at the Council meeting in April, urging that the Government undertake the carriage of money parcels, and valuable securities.

The matter has been promised careful consideration.

INFRACTIONS OF CLAUSE 100 OF THE BANK ACT

During the presidency of Mr. B. E. Walker, the authorities at Ottawa were informed of certain individuals and business corporations whose signboards, letter heads, and business documents afforded evidence of infractions of the Bank Act at clause 100.

The Finance Department have been again advised of further cases, but have not yet stated whether remonstrance will be made or not.

PROTECTION FROM BURGLARY AND FORGERY

Your Council submits for consideration the subject of mutual protection from criminals of the more dangerous class, who operate on bank vaults or negotiate forged drafts.

The very fact that in the United States these criminals are relentlessly pursued by a protective association within the banks, and all compromise or condonings of offence strenuously opposed, suggests the possibility of greater inroads from this class than heretofore, and points to the necessity of an effective organization amongst ourselves.

Information will be submitted to enable you to form a determination on this subject.

USURY LAW

Your Council are well pleased that the Senate were willing to be advised as to the wide-spread injury to be caused to the country by the adoption of a usury law, and under the advice tendered did not report either of the Bills framed in that direction, which were legislated upon in both Houses of Parliament.

Your committee remain firm in the opinion that a usury law only acts detrimentally to the borrower, heightens the value of money, and in leading to all manner of abuse of fair terms, only aggravates the difficulty which it seeks to cure.

A GOVERNMENT MINT

The Montreal Board of Trade having sought the opinion of the general managers of banks in Montreal respecting the wisdom of establishing a mint in this country, your President as their spokesman, ventured to use the name of the Association in pronouncing the scheme inexpedient, unnecessary, and undeserving of support at the present time, for economical reasons amongst others.

ESSAY COMMITTEE

Your Council again offered prizes for the Senior and Junior competition, leaving the subjects of the competitive papers to be chosen by a committee named by them, outside of their number.

A few more Associates than last year have entered the competition, but sufficient interest has not yet been manifested in this portion of our work by the general body of Associates.

The Council invite criticism of the plans heretofore adopted, and the range of subjects selected to be written on, and speaking for their successors, will be glad to consider any suggestions made.

The Committee appointed to examine this year's papers, will announce their awards in the course of the annual proceedings.

SUB-SECTION REPORTS

Reports have been received from the sub-sections at Winnipeg and Ottawa, of their year's business, and will be presented to you.

THE JOURNAL

Your Council have to express their thanks to the Editing Committee, consisting of Messrs. J. H. Plummer, Chairman, E. Hay and J. Henderson, and the sub-editor, Mr. Vere Brown, for the valuable volume completed since last meeting.

On all hands praise is accorded them for their efforts to provide, as they have so successfully done, a banking magazine of high standard, and wherein invaluable legal information is to be found.

The JOURNAL has become a prime factor in extending the Associate membership.

MEMBERSHIP

At the close of the financial year, 30th June, the membership list stood as follows:

Members	28	
Associates	1010	
		1038

Of this list, as we close this report, we retain:

Members	28
Associates who have renewed	811
New Associates have joined to the number of	160

We have yet to hear from former Associates to the number of 199.

BILLS OF LADING

Your Council believe that the Federal Government would fulfil a beneficent mission were they to study the bills of lading issued by ocean and inland carriers, with a view to the simplification of the terms of contract, and the securing of a more generally uniform standard. Under the Banking Act a warehouse receipt is now defined as to its form, and something equally terse is needed for bills of lading.

UNFINISHED BUSINESS

Former reports have contained resolutions of a prospective nature, which still await opportunity for attention. Amongst these is one relating to the hour of protest of bills maturing on Saturdays.

The Solicitor's opinion in this regard will be read to you, and in view of it the resolution may now be dropped from the agenda.

All respectfully submitted.

For the Executive Council:

F. WOLFERSTAN THOMAS,
President.

PROTECTION FROM BURGLARY AND FORGERY

At the clause relating to 'Protection from Burglary and Forgery' discussion ensued, ending in the appointment of the following committee to deal with the matter and report to this meeting: — Messrs. Farwell, Coulson, Stikeman, Hague and Plummer.

A few words were added to the clause respecting the Government mint, after which the Annual Report was adopted on motion of the President.

The awards made by the Prize Essay Committee were then announced, as given on another page of the JOURNAL.

MR. PLUMMER—Perhaps some of the Associates would like to say something about the subjects chosen for the essays.

THE PRESIDENT—As Mr. Stewart has been a prize-winner in the past, I think he would be qualified to speak on the subject.

MR. D. M. STEWART—Mr. President, Members of the Executive Council and Fellow Associates:—I think the subjects chosen this year could not be improved upon. They deal with everyday, practical questions with which the officers who come in contact with the public have to deal. The subjects last year, especially in the senior competition, were unpopular and I for one did not compete. What in my humble opinion we need are subjects which will induce the younger officers of the banks to study practical banking questions, which will enable them to understand their business and to follow in the footsteps of the members of the Council who have made a success of their profession.

THE PRESIDENT.—I would suggest that all the general managers of banks keep the names of prizemen before them and some record of those of their staff who are Associates. I make this a rule in my own bank.

A UNIFORM BILL OF LADING

THE PRESIDENT—We should like to hear from Mr. Lash on the subject of Bills of Lading, referred to in the Council's report.

MR. LASH—This is too abstruse a subject for me, Mr. President, to say anything upon off hand. I have had to consider some questions relating to foreign bills of lading, and it is very difficult to understand them at first. They have been so long in use, and have become so ingrained in commerce and

been so repeatedly discussed and decided on by the courts that it is a very difficult and delicate subject to handle with a view to effecting any change, and I do not think it could be done without legislation. I presume that Parliament would have power to deal with it. The trouble is that bills of lading come from all parts of the world to Canada and go from Canada to all parts of the world, and I think that probably the home Government should first be asked to deal with the matter. Some modification of the terms of the bills of lading might be brought about by convention of the various steamship and railroad companies and carriers of the country. It is not a subject which one can speak of with any certainty without very careful and minute consideration.

THE PRESIDENT—Do you not think that there can be one uniform bill of lading for use in Canada, and that, so far as we are concerned, it would be of use to us?

MR. LASH—As an educational process it might be a good thing, but the real difficulty is to get one side of the Atlantic to agree to make a change which would suit the other side; that is, to have one form for merchandise shipped from Halifax, St. John and Montreal to Liverpool, etc., and one from Liverpool to ports on this side. The steamship companies and railroad companies might establish one form for the use of everyone.

THE PRESIDENT—Could not Parliament coerce them to do so?

MR. LASH—I could not say that. We have had legislation for one kind of contract, that of insurance, but it is a very different matter to force a uniform contract upon carriers. It might be brought about by discussion and incessant agitation, but it would more likely be brought about by a convention of the various companies. I see very great difficulty.

MR. STIKEMAN—I think that during the past ten years there have been some great changes brought about, and these emanated originally from Liverpool in reference to the carriage of cotton. These changes have very much improved the position of the holder of the bill of lading.

MR. LASH—I think you would have two conflicting interests. The companies would naturally want provisions which would give them ways to avoid claims for loss or damage on the one side, and on the other side you would have the shippers contriving to introduce clauses which would coincide with their interests, and you will never get an agreement voluntarily entered into between them. The only way I see would be to have united pressure,—a sort of "boycott,"—on the part of all shippers of merchandise, under which they would decide to give their business only to the company giving them a certain

kind of bill of lading. In this way you might get a contract which would be satisfactory. This is why I think nothing but legislation will make it satisfactory, but unless there is a sufficiently prominent evil shown, the Legislature will not interfere. In the case of insurance companies' contracts, time after time additional clauses were put in, and every time a company got into trouble they had a new clause made to cover that particular trouble, until at last all these clauses covered a large part of the policy. They were printed in diamond type, so that they were seldom read, and even when read it was impossible for any insurer to construe them, and the courts found it almost impossible to do so. The result of all this was that there was not a case which the insurance companies could not defend and win, so that the insured at last became exasperated. The Government interfered, and the Legislature enacted a certain form of contract which the insurance companies could not depart from. Unless a situation of a similar kind arrives with regard to bills of lading, I do not see how an appeal to the Legislature could be justified.

MR. STIKEMAN—The difficulty arises in connection with through bills of lading, when you have a bill of lading and cannot find the merchandise it refers to.

MR. LASH—Upon the mere point of the form of the contract it is very difficult to speak.

THE PRESIDENT—We have a lawyer, and a very good lawyer, here, and we want him to help us out of these difficulties.

MR. LASH—There would be nothing gained I think in going to Parliament for any legislation until full information were obtained. If a committee were appointed to consider the matter and obtain all the information possible, they might then go to the Legislature, but to go now without this information would mean that you would be asked any number of questions which you could not answer. You cannot go on without further information, and you must find out just what the evil is which you want remedied.

THE PRESIDENT—Suppose a person, employed by a railroad company, issues a bill of lading for flour, and the bill of lading comes into the hands of a bank, and suppose that afterwards it is discovered that there was no actual shipment of flour at all, and that the bill of lading is a fraudulent and collusive one. We had an actual case of this kind in which the Grand Trunk Railway repudiated that bill of lading, saying they had not obtained the goods, and if we had not got the acceptance of the drawee we would have made a loss.

MR. LASH—That very case came up in the courts and it was entirely a question of the agent's authority to sign for the company.

MR. HAGUE—Well, there was a case of that kind decided against us. We contended that the signing officer was the proper and duly accredited employee of the railway company and that the latter were bound by his acts. They claimed to be responsible only to the extent of the goods they had received.

MR. LASH—What was the decision ?

MR. HAGUE—We lost.

MR. LASH—The decision then was that he had no authority.

After some further discussion the following Montreal bankers were appointed a committee to deal with the matter: Messrs. McDougall, Hague, Prendergast and Thomas, with Mr. Hague as convener.

INSURANCE OF MONEY PARCELS—EXPRESS COMPANIES' COMPETITION

MR. FARWELL—Has anything been heard from the Government in this matter of insuring money parcels ?

THE PRESIDENT—We have written them twice but have heard nothing definite, and I don't know whether they will do anything. It seems to me that the Government are in a position to do this business much more advantageously than the express companies. I think this is a question which the incoming Council might take up. We received a letter from the Postmaster-General on the suggestion, which the Secretary will read to you.

The Secretary then read the letter in question, saying that the matter was still receiving consideration.

MR. PLUMMER—In case the Government should not undertake the business, could not the Council make a general arrangement with some insurance company ?

MR. FARWELL—I certainly think that if they could be assured of a large amount of business, they would be prepared to give us good rates.

After further discussion as to the relative cost of insurance by registered mail and by express, the inconveniences to which banks are sometimes put by express companies as to delivery, the competition which express companies now offer in the issue of drafts, etc.

It was moved by MR. FARWELL, seconded by MR. BURN:

That in view of the competition of express companies in issuing small drafts, the following be appointed a committee to consider the matter, namely, representatives of the following banks: Bank of Montreal, Merchants Bank of Canada, Canadian Bank of Commerce, Molsons Bank, Imperial Bank of Canada, Bank of Toronto, Eastern Townships Bank and Bank of Ottawa.

That the committee be requested to make overtures to insurance companies with a view to ascertain what terms can be obtained for insurance on parcels of money transmitted by registered mail, provided the whole or the greater part of the business of the whole of the banks can be given; also, to discuss further with the Postmaster-General an arrangement for the insurance of money parcels by registered mail; and to consider the practicability of the banks themselves covering such risks by mutual arrangement for indemnity.

Also, that the committee be requested to act as promptly as possible.

RULES RESPECTING ENDORSEMENTS—STATUS OF BANKERS' SECTIONS

THE PRESIDENT—The next business is Mr. Plummer's motion as to a standard set of rules respecting endorsements.

MR. PLUMMER—Mr. President, I find that Mr. Lash has discussed the questions I intended bringing up in a paper which he has prepared, and I think it would be better therefore, to hear his paper first; my motion would best follow it.

THE PRESIDENT—In that case we will take up your other resolution asking the Executive Council to settle the status of the Bankers' Section of the Toronto Board of Trade in matters before the Ontario Legislature.

MR. PLUMMER explained the reasons which led the Section to ask that the resolution, which he read, should be passed.

Proceeding he said:—The resolution, I think, is harmless, and it will put our Section in a position to act for the Association when the occasion arises. I have worded the resolution in such a way that the rights of the Association, as a whole, may be properly preserved.

MR. MCDOUGALL—Would it not be well to have this resolution apply to the Bankers' Section of the Montreal Board of Trade as well?

MR. STIKEMAN—This might be accepted as a principle with regard to local legislation, but what status have these sections in such matters?

MR. HAGUE—Montreal, being the principal city in the province of Quebec, is in practically the same position as Toronto in Ontario. The members of the Cabinet probably hold more Cabinet meetings in Montreal than in Quebec, and we can see them there almost any day—certainly very often.

MR. PLUMMER—After this discusssion I have altered the resolution; and in reply to the point made by Mr. Stikeman as to the status of the two Sections, I might say that the Association honors Toronto by asking the Bankers' Section to be its agent in such matters, and, if necessary, it can ask the Section in Montreal to act as its agent in the province of Quebec. I will read the resolution as amended.

Moved by MR. PLUMMER, seconded by MR. MCDOUGALL:

That the Bankers' Sections of the Boards of Trade in the City of Montreal and in the City of Toronto be and are hereby empowered to represent this Association in all matters connected with legislation in the parliaments of the provinces of Quebec and Ontario, respectively,—it being understood that the respective Sections will, as fully as possible, keep the Executive of the Association advised on all points that may arise in connection with the matters referred to, and will not make representations in the name of the Association contrary to the views of the Executive after such views have been expressed.

The resolution was duly carried.

CLEARING HOUSE RULES

Mr. Plummer read a resolution respecting uniform Clearing House Rules. Those connected with banks having branches at more than one place where clearing houses are established must have experienced the inconvenience of having different sets of rules in these places, and as it is usually the same banks which are interested in each place, it seems absurd that we should be troubled about differences in the rules when we might, once for all, by our accumulated experiences get one set of rules which would be, as near as possible, right.

MR. HAGUE—I think we should certainly have a uniform rule everywhere.

THE PRESIDENT—Please read the resolution again.

Moved by MR. PLUMMER, seconded by MR. STIKEMAN:

That a representative of each of the clearing houses at Winnipeg, Hamilton, Toronto, Montreal, St. John and Halifax,

to be selected by the respective Clearing House Associations, be a committee to prepare a standard set of clearing house rules for use at all points in Canada where clearing houses are or may be established, with a view to uniformity of practice, and to the extension to all Clearing House Associations of the best features found in the various existing rules.

The committee to report to the Executive Council, who are empowered to take measures to bring the new rules (as approved or amended by them) into general use in Canada.

The resolution was then put to the meeting, and adopted.

MR. LASH'S PAPER

Mr. Z. A. Lash, Q.C., then read the paper he had prepared on "Endorsements."*

THE PRESIDENT—I am sure we are very grateful to Mr. Lash for the time and research he has given to this paper, which will be of permanent value to us all. Will some one move a resolution of thanks?

It was then moved by MR. DUNCAN, seconded by MR. STIKEMAN:

That the thanks of this meeting be tendered to Z. A. Lash, Esq., Q.C., for his valuable paper on "Endorsements," and that he be asked to permit its publication in the columns of the JOURNAL.

Carried.

Mr. Lash consented to its publication.

RULES RESPECTING ENDORSEMENTS

MR. PLUMMER—Mr. President, the resolution respecting rules on endorsements of which I have given notice, and which I now move, is to the following effect:

That representatives to be appointed by the following banks, namely: Bank of Montreal, Merchants Bank of Canada, Canadian Bank of Commerce, Bank of British North America, Banque d'Hochelaga, Dominion Bank, Imperial Bank of Canada, with power to add to their number, be a committee to prepare a set of rules respecting endorsements on cheques and other items, to be adopted in respect to all exchanges between banks in Canada. The committee to report

* Printed in full in this issue of the JOURNAL.

to the Executive Council, who are empowered to take measures to bring the rules recommended by the committee, as approved or amended by Council, into general use in Canada.

That the committee appointed to prepare such rules respecting endorsements on cheques and other items, be instructed to communicate in the matter with the presidents or chairmen of the various clearing houses, bankers' sections, and sub-sections of this Association throughout Canada.

I do not think there need be very much said in bringing forward a resolution of this kind. Those of us who have had to do with getting working rules framed know what difficulties we have to meet, and the trouble entailed, and it seems to me a pity that the work which has been put into this could not be utilized by us all. If we have one general rule we could get our officers at all points accustomed to the same system of dealing with endorsements, etc. The rules referred to by Mr. Lash were prepared by him after many conferences with representatives of several banks. I have no doubt that Mr. Lash put in many hours of hard work in getting them into their present shape, and they would be a good starting point for the work of the committee.

The motion was carried unanimously.

JOURNAL OF THE ASSOCIATION

The Secretary having read the report of the Editing Committee, its adoption was moved by MR. PLUMMER, seconded by MR. BURN, and on motion of MR. FARWELL, seconded by MR. HAGUE, the sum of $300 asked for in the report was granted out of the funds of the Association. The report was as follows:

To the Members and Associates:—

The fourth volume of the JOURNAL, which was completed with the issue of July last, ran to 460 pages, being slightly more than the preceding volume. The Committee are pleased to be able to report that the standard of the contributions received has been fully sustained, a number of valuable articles having been published. They have steadily aimed at increasing the *practical* value of the JOURNAL to the Associates, in which direction they hope to see more accomplished as the JOURNAL gains impetus. Its position appears to be now firmly established, judging by the steady growth which has taken place in the Associate membership.

The net cost of publication in the past year, after deducting returns from subscriptions and advertisements, was $1,014.46, against which is to be considered the revenue to the Association from Associates' fees, amounting to $1,010.

It is difficult to estimate the cost of publication for the ensuing year, and the Committee think it well, in case it should be found necessary to enlarge the next volume beyond the usual dimensions, to ask authority for an expenditure amounting to say $300 in excess of the sum derived from the fees of Associates.

All of which is respectfully submitted.

J. H. PLUMMER
J. HENDERSON
E. HAY
} Editing Committee.

MR. PLUMMER—I do not know that there is anything to say about the JOURNAL; it speaks for itself. (Hear, hear.) We find, however, that many questions arise which the Associates do not submit to us, and we have no doubt that in this way many interesting points escape the JOURNAL. If every Associate would make it a point to inform us of any difficult or interesting question which arises in his daily business, not necessarily as a question to which he wishes a reply, we should be very glad, and it would make the "Questions and Answers" column a very valuable department of the JOURNAL. We would like to see the correspondence pages enlarged.

MR. HAGUE—The Editing Committee have done an immense amount of work, and I will now repeat what I said at an earlier hour of this convention. The JOURNAL has been commended by the Institute of Bankers in England, and a short time ago I sent a copy of it to one of the oldest and very best bankers in England, who expressed an opinion upon it which was highly complimentary. Considering all the labor which the committee have undergone, it is the very least we can do to offer them a vote of thanks. I hope this will be seconded by a younger man than myself—I mean by some one of the Associates not a general manager like myself—and I hope they will continue their good work, and that the same gentlemen will be asked to continue their services.

MR. W. C. YOUNG—I take great pleasure in seconding Mr. Hague's motion. I find the JOURNAL interesting and instructive, and look forward to it every quarter.

The thanks of the Association were then tendered to the Editing Committee, and the sub-editor.

The question of issuing a special number containing the report of the proceedings of this meeting, together with Mr. Lash's paper, and other papers, was left in the hands of the Editing Committee.

SUB-SECTIONS, OTTAWA AND WINNIPEG

The Secretary read reports of the sub-sections at Ottawa and Winnipeg, and it was then moved by MR. BURN, seconded by

MR. PLUMMER, and carried, that the reports be included in the proceedings of this annual meeting. The reports are as follows:

OTTAWA SUB-SECTION

The Ottawa sub-section beg to report that during the past year several meetings have been held at which subjects of more or less importance were discussed.

The matter of minor profits was discussed at one or two meetings, and the result reported to the Executive Council, 15th October last.

An effort was made to establish a system of furnishing figures showing the weekly clearings, the General Manager of the Bank of Ottawa agreeing to have the work of compiling the figures done, but owing to one or two of the managers declining to furnish figures for the respective banks they represented, the idea had to be abandoned.

Several meetings were held in reference to a reduction of interest to be paid on deposits, and a reduction to three per cent. per annum, in the case of savings bank balances, payable on the minimum monthly balance, was finally agreed to by all the banks, including the Jacques Cartier, Hull, Que., to date from 1st August. Exceptions were made in the cases of a few old depositors conditionally, on their giving their written consent to leave their deposits intact for six months, in which case the rate would remain at 3½ per cent., and at the end of six months the deposits to become subject to the original conditions as to notice and change of rate.

The amendment to the Companies' Act was considered and discussed.

An agreement was entered into by all the banks relative to endorsements, similar to the one which has been in force in Montreal for some years.

GEO. BURN,
Chairman.

WINNIPEG SUB-SECTION

October 1, 1897

To the President and Members Canadian Bankers' Association.

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

The annual meeting was held on the 7th June. Mr. F. H. Mathewson, manager of the Canadian Bank of Commerce, was elected chairman for the ensuing year, and Mr. D. Simpson, manager of the Bank of British North America was re-elected secretary.

Through the medium of the sub-section an agreement was effected, by which all the banks doing business in Winnipeg reduced the rate of interest on deposits to 3 p.c. on the 15th July, 1897.

This sub-section has continued the practice of obtaining reports upon the condition of the crops, for the benefit of its members. The list of correspondents has been considerably enlarged again this year, and the information obtained in this way has proved of much value in enabling the members to form conclusions regarding the quality and quantity of grain raised in the North-West.

A deputation from the sub-section waited upon the Hon. the Minister of Finance during his recent visit to Winnipeg, and urged the desirability of an arrangement being made by which the banks doing business here could transfer legal tenders backwards and forwards between Montreal or Toronto and Winnipeg by wire.

It was explained to Mr. Fielding that this arrangement would be a great advantage to the banks, and at the same time would not affect the total outstandings of the Government.

He admitted the reasonableness of the request, but pointed out that its consideration would necessitate taking the matter up at every place in the Dominion where an Assistant-Receiver-General's office was established.

Some correspondence ensued, but no further action appears to have been taken by the Department of Finance.

Clearing House balances in Winnipeg are settled daily in legal tenders, and this makes it necessary for the banks to carry larger reserves than would be the case if Winnipeg was not so far away from Montreal and Toronto.

Under existing conditions legal tenders accumulate with the banks at times, and the only way they can be disposed of, is to ship them east, while at other times they have to be shipped here from the east, and the banks are thus put to considerable expense annually in moving them backwards and forwards.

The members of this sub-section feel that this question is one which might well be dealt with by the Association, and the hope is expressed that it will be given every consideration.

Yours truly,

F. H. MATHEWSON
Chairman.

SUPPLY OF LARGE LEGAL TENDERS

MR. PLUMMER—In view of the report of the Winnipeg Sub-Section I beg to propose the following resolution, seconded by MR. PRENDERGAST:

Whereas the adoption of the new form of special legal tender notes for use by banks only has made it practicable for the Government to keep at all offices of the Assistants Receiver-General a full supply of such notes, with the least possible risk and expense:

And whereas it has become necessary, for the convenient and economical administration of the business of the banks, that arrangements should now be made for the exchange of such notes at the office of any Assistant Receiver-General against the deposit of gold or legal tender notes made at any other office,

Be it resolved, that the Executive Council be and are hereby requested to arrange, if possible, with the Finance Department (1) to keep full supplies of the large special notes at all offices of the Assistant Receiver-General, and (2) to supply such notes in exchange for legal tender notes or gold deposited at offices of the Assistant Receiver-General other than that at which application is made, on telegraphic or other advice of such deposit.

THE PRESIDENT—Would this be a recommendation to the incoming Council?

MR. PLUMMER—I suppose they should deal with it.

The motion was then adopted.

BANKING HOURS

The resolution of Mr. Prendergast, appearing on page 323 of vol. I of the JOURNAL, in relation to the hours at which bills and cheques may be protested, and in regard to which action has been pending since 1893, was next brought forward.

In view of the opinion of counsel of the Association that legislation was not necessary, and of his explanation of the legal position of the banks as printed on page 194 of vol. III of the JOURNAL, it was decided that the resolution be now dropped from the agenda.

THE PRESIDENT—Do we understand from this that banks who close early on Wednesdays would be free from liability if that became a custom ?

MR. LASH—I think so. It is a question between the customer and the bank. The obligation between these two may exist under an expressed or an implied contract, and if the customer knows when you are taking up his account, that you will do business within certain hours or days, and he agrees to keep his account with you on these terms, he enters into a contract with you, and must keep to the hours or days you propose. But if you had first kept open for business on certain hours and days, and then suddenly changed these hours without giving him any notice, he might well complain if any of his notes outstanding maturing on those days, were not attended to as usual. He would then have a reasonable cause of complaint against you, but if you gave him notice I think he would have none.

MR. HAGUE—You do not require to give any customer formal notice, but his rights are governed by general usage ?

MR. LASH—Yes.

—

The Secretary then read a letter from Mr. D. Von Cramer, Canadian Bank of Commerce, Montreal, in the matter of railway rates to bank officials, which after debate was referred to the Executive Council.

MINIMUM MONTHLY BALANCE

The President then presented the following resolution :

Moved by MR. STIKEMAN, seconded by MR. COULSON, and resolved :

That it be recommended to the banks in the matter of com-

puting interest on savings bank and current account balances, that such interest be computed only on the minimum balance in the account during the whole of each calendar month.

The resolution was adopted and a copy ordered to be forwarded to the head office of every bank.

FINANCIAL STATEMENT, SUBSCRIPTIONS, AUDIT

The Secretary then read the financial report, which, having been audited, was adopted on motion of Mr. Farwell, seconded by Mr. McDougall.

GENERAL STATEMENT

Cash, less cheques outstanding	$ 107 41	Revenue account brought forward	$1,584 28
Office furniture	224 70	Revenue account current.	3,750 00
Charges	4,002 81	Bank interest	15 10
Journal expenditure	1,014 46		
	$5,349 38		$5,349 38

GROSS REVENUE ACCOUNT

Charges	$4,002 81	Revenue Account	
Journal expenditure	1,014 46	Balance brought forward	$1,584 28
Balance carried forward	332 11	Members' subscriptions $2,740	
		Associates' subscriptions 1,010	
			3,750 00
		Bank interest	15 10
	$5,349 38		$5,349 38

The President then brought forward the recommendation of the Executive Council, growing out of the resolution of Mr. B. E. Walker on page 63 of vol. IV of the JOURNAL, in the form of a motion to increase the subscription of members with capital stock of $500,000 and under $2,000,000 from $60 to $120, the amount at which it stood prior to June 7th, 1893.

It was then moved by MR. HAGUE, seconded by MR. FARWELL, that the increase be adopted, and that Article III of the constitution as printed on page 226 of vol. I of the JOURNAL be amended accordingly. Carried.

THE PRESIDENT—At the last meeting of the Association Mr. B. E. Walker gave notice that at the present annual meeting he would bring forward a motion to increase the Executive Council from nine to twelve.

MR. PLUMMER, for Mr. Walker, explained the reason for this increase, and moved that the constitution at clause VII be amended to read "that the Executive Council consist of the President, Vice-Presidents and twelve Associates" etc, etc.

This was seconded by MR. STIKEMAN and carried.

It was then moved by MR. FARWELL, seconded by MR. BURN:

That Messrs. T. Bienvenu and W. H. Nowers be elected auditors for the ensuing year, and that the thanks of the Association be given to the outgoing auditors for their valuable services. Carried.

THE PRESIDENT—I have just heard that Mr. W. C. Cornwell will be here to-morrow and wishes to speak to us regarding the next place of our Annual Meeting. It was thought that we might meet with the New York State Bankers' Association at their annual convention. Discussion was reserved.

The Session then adjourned at 7.50 o'clock, p.m., until 10 a.m. the following day.

MORNING SESSION

7th October, 1897

PROTECTION FROM BURGLARY AND FORGERY

On the meeting being called to order by the President, the Secretary read the Report of the Committee on Protection from Burglary and Forgery as follows, which, on motion of MR. J. H. PLUMMER, seconded by MR. GEO. BURN, was adopted after debate:—

REPORT

The Committee appointed to consider the protective system adopted by the American Bankers' Association for protection against professional thieves who make a practice of swindling or robbing banks, beg to report that in their opinion the necessity for the protection referred to is not so serious as to require immediate action. Your Committee are, however, of the opinion that co-operation is desirable in the cases of robbery, forgery, etc. (outside of the officers of each bank), where extradition proceedings are considered necessary, and where the punishment of a criminal is of great importance to all the banks.

Your Committee recommend that cases of this kind should be dealt with by the Association, the extradition proceedings carried on by the Executive Council and paid for by the Association. They suggest that a bank suffering from a loss of this nature should at once report to the President, who, where emergency proceedings are required, should be empowered, with one member of the Council, to authorize such reasonable expenditure as they may think necessary.

MR. PLUMMER (Convener of the Committee)—It was the unanimous opinion of the Committee that the system employed in the United States would not be practicable in Canada, as the conditions here are different. When it comes to a case where extradition is necessary, however, the cost is very great, and we think the Council should have the right to provide money for this purpose, as such cases would be in the interest of the banks generally.

MR. HAGUE—Where extradition proceedings are necessary for frauds committed by an employee of a bank, that is the business of the individual bank ?

MR. STIKEMAN—I think so, as every bank must look after its own officers.

MR. PLUMMER—A resolution now seems to be called for authorizing the Council to undertake such proceedings and to raise the necessary funds by assessment of the members leaving it to them to make it equitable, and I propose the following, seconded by MR. FARWELL :

That the Executive Council be authorized to undertake the necessary proceedings in extradition recommended by the special committee on Protection from Burglary and Forgery in their report, at the expense of the Association, and that the funds necessary shall be raised by assessment on the members.

The motion being put was declared carried.

INCREASE IN EXECUTIVE COUNCIL

MR. PLUMMER asked the consent of the meeting to amend his motion of yesterday, regarding the increase in the number of Executive Councillors, by substituting fourteen for twelve as the number of such Councillors.

Motion agreed to.

INTEREST ON DEPOSITS

A lengthy debate ensued respecting the delay on the part of certain banking centres in adopting the 3 per cent. maximum rate of interest on deposits, and the following resolution was introduced :

Moved by MR. STIKEMAN, seconded by MR. COULSON :

That this Association learns with regret that the banks with offices situated in the maritime provinces, and, also, in the city of Quebec, are continuing to pay 3½% interest, although the rate in almost every other section of the Dominion has been

reduced to 3%, and the Government Post Office and Savings Banks have reduced the rate to 3% mainly in consequence of the representations of this Association.

This Association respectfully urges upon the banks above referred to, the propriety of bringing their rates into conformity with those now paid by the Government and the banks elsewhere.

Carried.

THE GOLD STANDARD

THE PRESIDENT—The next thing before us is Mr. Hague's resolution on the silver question.

MR. HAGUE then moved, seconded by MR. STIKEMAN, the resolution set out on another page of the JOURNAL relating to the maintenance of the gold standard by Great Britain, which was put to the meeting and unanimously approved.

CANADIAN SILVER AND SMALL NOTES

MR. COULSON—Complaints have been made to the Association of the scarcity of Canadian silver in Canada, especially in the Northwest, British Columbia and the mining territories, and that its place has been taken by American silver. One reason for this is that the banks see that it is no profit to them to circulate silver and to be put to the expense of shipping it from one place to another, and as the Government derives all the profit from the coinage it should do this instead of the banks. In order that American silver be taken out of the country, it has been suggested that the Government be asked to pay the express charges of sending it to the United States and to stand the express charges for sending our own silver wherever it is required for circulation. I therefore submit the following resolution, seconded by MR. FARWELL:

Whereas loss and inconvenience are suffered in certain parts of the Dominion, especially in British Columbia, owing to the lack of Canadian silver coins, whose proper place in the currency is taken by American silver;

And whereas it is of great advantage to the Dominion Government to provide and put into circulation all the silver coins that the public desire to use; and it is for other reasons desirable that Canadian silver should form, as far as possible, the whole of the subsidiary currency of Canada.

Be it resolved, that the Council do ask the Finance Department to make arrangements for the transportation and delivery, free of expense, at all branches of the banks in British Colum-

bia and elsewhere, where required, all the silver coins necessary to supply the public, and to make whatever arrangements may be found practicable to remove from circulation all American silver.

Also, that with a view to assist in displacing American silver the Government should be asked to deliver without charge, small legal tender notes.

The resolution was adopted.

ESTABLISHMENT OF SUB-SECTIONS

THE PRESIDENT—The next matter relates to the establishment of sub-sections.

MR. STIKEMAN—The fact that the sub-sections at Ottawa and Winnipeg have been so successful has led the Executive Council to think that the establishment of other sub-sections would be desirable, and I therefore move, seconded by MR. PLUMMER:

That in the opinion of this Association, sub-sections of the same, on the same lines as have already been adopted with much success at Ottawa and Winnipeg, should now be formed at Quebec, Halifax, St. John, London and Vancouver, in order that there may be at these important centres organized bodies to deal with matters of general banking interest; and that copies of this resolution be sent to all managers of banks at these points.

Carried.

Mr. W. Maynard, Jr. then presented and read a letter from Mr. G. de C. O'Grady, manager of the Canadian Bank of Commerce, Woodstock, Ont., referring to (1) The disfigurement of bank bills by tellers and others by marking them with colored pencil; (2) Minor banking profits.

The letter gave rise to an interesting discussion and was referred to the committee already named to deal with Express Company competition, etc.

EXPRESS COMPANIES, MINOR PROFITS, ETC.

At this stage of the proceedings Mr. Conrad Jordan, Assistant Treasurer of the United States, and Mr. Robert McCurdy, President of the Ohio Bankers' Association, were

introduced to the meeting. The President asked Mr. McCurdy if he would favor the meeting with the views of Ohio bankers regarding express company competition.

MR. MCCURDY—Your troubles are our troubles; still, in Ohio we found that it was not worth while going against them. Our profits in exchange are almost nil. We have had this matter before us, feeling, as you do, that there should be some way of stopping it, but finally we decided that it was not worth the trouble. What we hoped for was a reduction in their carrying rates, but in Ohio they have actually increased them, owing, as they say, to robberies and thefts from which they have suffered, and we are now endeavoring to get them to come back to the old rates.

THE PRESIDENT—What do they charge you?

MR. MCCURDY—They charge us 50 cents a thousand per hundred miles. From New York City they used to charge us 75 cents, but they now charge us $1.25.

Mr. Conrad Jordan expressed sympathy with the banks in their efforts to remedy matters, and stated that in his opinion the express companies stood in their own light in placing banks so nearly on a footing with private individuals in the matter of rates.

MR. FARWELL—Now I think that if this matter is taken hold of and pushed forward, within a short time we will get something done.

MR. PLUMMER—There was one point which has not been touched upon, and that is the question of meeting the competition of small drafts. I intended to call the attention of the meeting to the fact that this matter is also before us. We have been ready to enter into an agreement for the issue in some simple and speedy way of some small drafts which might be negotiated at any bank in Canada.

MR. DURNFORD—We had a meeting and the President sent out a circular to the banks, asking if they would join in the movement, but owing to opposition nothing was done.

MR. BURN—That was referred to in the report yesterday. Were the banks unanimous in agreeing to issue a uniform draft?

MR. PLUMMER—It need not be a uniform draft. If the banks would enter into some arrangement between themselves, that is all that is necessary, but one alone can do nothing. We must all work together.

After further debate the following resolution was submitted:

Moved by Mr. PLUMMER, seconded by MR. FARWELL:

That the committee appointed to deal with the insurance of parcels by registered mail be requested to take up in addition, the question of the competition of express companies by the issue of money orders, and especially to ascertain if small drafts or money orders issued by banks could be made payable without charge at the offices of all chartered banks throughout Canada, or at the majority of them, and if this is found to be practicable, to arrange details with any banks that may be disposed to undertake such business, for the issue of such drafts.

MR. G. M. GIBBS was then called upon to read his paper on "Minor Profits in Banking."

The President and Mr. Hague expressed the compliments and thanks of the meeting to Mr. Gibbs for the excellence of his paper, and on suggestion of Mr. Coulson it was referred to the committee named on Express Company competition, etc.

NEXT ANNUAL MEETING

It was then resolved that the Executive Council be recommended to hold the next annual meeting in the City of Montreal, about the middle of the month of September.

—

Mr. W. Graham Browne read a paper on the "History of Interest Legislation," and was tendered a vote of thanks on motion of Mr. Hague.

—

Before proceeding to the election of officers for the ensuing year it was unanimously resolved on motion of Mr. Stikeman that the number of Honorary Presidents be increased to three.

ELECTION OF OFFICERS

The Editing Committee of the JOURNAL, consisting of Messrs. J. H. Plummer, chairman, J. Henderson and E. Hay, were re-elected, and the meeting left in their hands the nomination of the corresponding members of the Committee.

On motion, the President was requested to cast one ballot for the election of the following office-bearers for the ensuing year:

HONORARY PRESIDENTS

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

PRESIDENT

D. R. Wilkie, General Manager, Imperial Bank of Canada.

VICE-PRESIDENTS

H. Stikeman, General Manager, Bank of British North America.
G. A. Schofield, Manager, Bank of New Brunswick.
Thos. McDougall, General Manager, Quebec Bank.
H. C. McLeod, Cashier, Bank of Nova Scotia.

EXECUTIVE COUNCIL

E. S. Clouston, General Manager, Bank of Montreal.
B. E. Walker, General Manager, Canadian Bank of Commerce.
Thos. Fyshe, Joint-General Manager, Merchants Bank of Canada.
Duncan Coulson, General Manager, Bank of Toronto.
Geo. Burn, General Manager, Bank of Ottawa.
M. J. A. Prendergast, General Manager, Banque d'Hochelaga.
D. H. Duncan, Cashier, Merchants Bank of Halifax.
W. Farwell, General Manager, Eastern Townships Bank.
J. Turnbull, Cashier, Bank of Hamilton.
H. S. Strathy, General Manager, Traders' Bank of Canada.
G. Gillespie, Supt. of B. C. Branches, Bank of British Columbia.
R. D. Gamble, General Manager, Dominion Bank.
E. E. Webb, General Manager, Union Bank of Canada.
T. Bienvenu, General Manager, Banque Jacques Cartier.

A ballot being cast the scrutineers, Messrs. Strathy and Bienvenu presented their report and the election of the officers just named was confirmed.

A vote of thanks was recorded to the President and Directors of the lower bridge for their invitation to visit their new structure, and to the Clifton House for the use of the hall for meeting, and for their attention to the comfort of those present.

—

THE PRESIDENT—Gentlemen, I think this completes our business.

MR. H. S. STRATHY—I wish to move a vote of thanks to the President for the very able manner in which he has filled the chair, and also for the very able and interesting paper which we heard yesterday. We have always been satisfied with the Presidents we have had in the past, but I am sure I voice the sentiments of everyone here when I say that none has given more satisfaction than Mr. Thomas. I have great pleasure in moving a vote of thanks to him.

The vote was made unanimous amidst loud applause.

THE PRESIDENT—Gentlemen, it affords me very much greater pleasure to be the retiring President than the incoming President. You did me the honor to elect me in my absence and I promised to do all I could to advance the interests of our Association and our profession. If I have been of any service, it has been with the aid of our most excellent Secretary, Mr. Chipman, whom I have known for very many years as a banker, and I can assure you it is one of the greatest helps to have him as an assistant in connection with the presidency of this Association. It gives me great pleasure gentlemen, as one of the oldest bankers in Canada, to have been the President of your Association this year, and I am very grateful for being elected during the year of Her Majesty's Jubilee. I am exceedingly obliged to you, gentlemen.

The proceedings of the Sixth Annual Meeting then came to a close.

ADDRESS OF THE PRESIDENT OF THE CANADIAN BANKERS' ASSOCIATION

DELIVERED AT THE SIXTH ANNUAL MEETING OF THE ASSOCIATION

IN the presence of representatives of institutions, each the centre of a wide network of branches, and of ever-extending influence, it is difficult to believe that our entire banking history stretches back but eighty years. In alluding to this, it is not without interest to record the further fact, by way of preface to my address, on the occasion of the sixth annual session, that our first bank of issue, deposit, and discount, of 1817, is the one which to-day remains our leading institution. Sixty years ago, the Bank of Upper Canada, the Commercial Bank, and the Gore Bank, were the only three chartered banks in the Province of Upper Canada, our Ontario of to-day. These have all passed into history, the Bank of Upper Canada having failed, the Commercial Bank having become merged into the Merchants Bank of Canada, in 1868, and the business of the Gore Bank having passed into the hands of the Canadian Bank of Commerce in 1870. In 1841, we find the Niagara District Bank starting into existence, to serve this neighborhood, and preserving a respectable identity until 1875, when it amalgamated with the Imperial Bank of Canada. The three absorbent institutions have representatives with us to-day, and through them, we are brought into touch with the period when the province in which our place of meeting is a centre, began its banking career.

THE PAST YEAR

And now, in reviewing the events of the past year, and commenting on matters of general concern, let me speak as for myself alone, and on my own responsibility, this being the one occasion when the holder of the presidential office is afforded opportunity for so doing. Should I not go so far afield as my predecessors, it will be because events within our own immediate purview conspire to engage a very full attention. I am more favorably situated in some respects than the last occupant of this chair, inasmuch as two foreign questions, looming up a year ago with portentous aspect, and paralyzing trade to an alarming

degree, by reason of the uncertainty which they engendered, have since become settled issues. I refer to the presidential election in the United States, and the tariff of that country. The former question, involving as it did a paralysis, if not a death-blow to free silver, carried with it a pledge that with the help of the people, the new administration would place the currency of the United States on a stable basis. Let us hope that the House of Representatives and the Senate will heed the will of the people, and yield to the Secretary of the Treasury, Mr. Lyman J. Gage, whose presence within these walls we had looked forward to, such countenance and support as will enable him to restore the currency of his country to the condition of soundness requisite for the recovery of the industries and commerce of the Republic to their wonted activity, and revive in investors abroad that confidence which existed prior to the time when silver heresies became prime factors in politics. We know how large a task is involved in guiding currency legislation to a successful conclusion, owing to the multiplicity of forms of paper issues now extant, and the basis on which they rest, as well as the excessive number of small banking concerns embraced in the national banking system, to which, if they remained, the new legislation would apply. Their number is appalling, and before a currency system shaped in any large degree like our own, adopted in lieu of the present one, can exhibit the necessary elements of safety and flexibility, we foresee that there must be *a principle of concentration* applied to the banking system of the United States, under which fewer but stronger institutions will supply the financial needs of the country, and be the issuers of the remodelled currency.

We have faith in the ultimate adoption of a single standard by our neighbors, and with it a process of gradual redemption of greenbacks and treasury notes, and the replacing of these by a circulation issued by the banks, not the Government, free of any tax, and under safeguards not very different from our own. As bankers we are vitally concerned in the adjustment of questions such as these, and benefited by a rehabilitated trade across the border ; but we should be better pleased to witness that trade revive under a tariff, framed more for simple revenue, less for the protection of monopolies, and still less aimed at injuring the export trade of Canada, than the one recently adopted by our neighbors. There is an unfriendliness in the very word, retaliation, even in its business sense, which makes me slow to adopt its use, in any advice which I may tender from this place. But national self-preservation is a strong and natural instinct, and applied to such questions as how best to deal with hindrances to the export of lumber, coal and cattle, coupled with alien labor restrictions, I am forced to

confess a feeling that our Government would follow a perfectly justifiable course in adopting measures to offset by discriminatory tariff legislation, the injury to the particular interests above named. Yet, without resorting to such a step, we may in our aggregate trade, obtain compensation in some other directions; for you may recall the fact that after the McKinley tariff had come into force, our exports to the United States fell from $40,522,810 in 1890, to $38,988,027 in 1892, and $35,809,940 in 1894, while our trade with Great Britain, through efforts to secure new markets, rose from $48,359,694 in 1890, to $64,906,549 in 1892, and $68,538,856 in 1894. The diminution in trade with the United States cannot but continue under the coal schedule of their tariff, which inflicts a tax of .67c. per long ton on bitumous coal, an increase of 27 cents over the Wilson tax, or the schedule respecting sawed lumber, which imposes a duty of $2 per thousand feet, board measure. To equalize our position, an export duty of $2 per thousand feet on saw logs, and of $2 per cord on spruce wood for pulp has been proposed, but it would seem that all the lumbering sections are not agreed as to the wisdom of this course, the interests of the Georgian Bay district, for instance, differing from those of the Ottawa Valley. The country, as a whole, must be considered in discussing the timber problem; and in dealing with the coal problem, we must not ignore the Canadian consumer of the United States product. In neither case ought we to impose under a retaliatory tariff burdens which are beyond any benefit to the country's revenue, which a tax on exports or a new tax on imports could possibly produce. In dealing with lumber interests it should be possible for Government to place the Canadian limit holder and mill owner on as good a footing as his American neighbor who controls limits in Canada, and floats his logs free to be cut in American mills, thus securing a discrimination of $2 over the Canadian saw mills.

OUR OWN TARIFF

Whatever adjustment of our interests under the tariff of our neighbors may take place, our own tariff deserves remark here. The painstaking efforts of ministers during the sittings of the commissions to take evidence respecting trade interests, must have been apparent to all business men on both sides of politics, and deserve unstinted praise. In the schedules which have been adopted as those which are to guide the course of trade, during the life of the present Parliament, at least, the obvious features are these:—

1. A desire to obtain a fair revenue sufficient for an economical, yet comprehensive, administration of Government;

2. A careful regard to vested interests of manufacturers;

3. An evident desire to benefit the largest number and injure the fewest;

4. A frustration of the designs of any who might combine to raise prices, under the clause empowering the Governor-in-Council, after evidence has been sustained before a judge appointed by the Governor-in-Council, that prices are unduly enhanced and that the public are deprived of reasonable competition in certain articles of commerce, to reduce the duty on these articles, or, if need be, place them on the free list; and as the central principle of the tariff, a discrimination in favor of those countries desiring to enlarge their trade with Canada, more particularly the Mother Country, and necessarily operating against those countries disposed to direct their trade elsewhere.

The preferential clauses, which have been hailed with delight in the Mother Country, have already led to beneficial results in the denouncement by Great Britain of her treaties existing with Germany and Belgium; but any large trade increase with her, or with Europe, will fall short of their true value if they cannot be made to serve in some well-ordered way towards securing the overflow of population of these great centres, augmenting thereby our national wealth, instead of its diversion elsewhere to the betterment of even a friendly rival.

GOLD AND IMMIGRATION

No subject demands more serious attention at the present time than this one of immigration. It should be made a foremost matter of state policy. Momentous as the question really is, it has been left too exclusively to statesmen and philanthropic institutions, while practical economists like ourselves should be equally concerned in its consideration. In striving, as we should, to retain our present population, for cultivation of the millions of unoccupied and fertile acres of the Northwest, and development of the mining regions of British Columbia, and whilst fostering efforts at repatriation of our French population, we should seek, and provide for, a large accession of new blood from the Mother Country and elsewhere. A coming and possibly potent factor in connection with this subject, is that of the recent gold discoveries in the Yukon territory, and it may serve a good purpose if we use as a basis for computing probable accessions of population in the near future, the figures relating to the exodus from Great Britain to America and Australia at the time of the gold discoveries in these countries. The figures at least are interesting. At that time Europe had

a population of two hundred and fifty millions, Great Britain one of twenty-seven millions. The course of immigration from Great Britain alone is found to have been as follows:

	N. A. Colonies	U. S.	Australia
1848	31,065	188,233	23,904
1849	41,367	219,450	32,091
1850	32,961	223,078	16,037
1851	42,605	267,357	21,532
1852	39,176	244,261	51,620
	187,174	1,142,397	145,184
Averaging	37,435	228,475	29,036

The cost of passage to America was about $20, that to Australia from $60 to $75, and as at that time only one voyage could be made to the latter in the year, the rate of passage soon advanced to $105.

Europe has now a population of nearly 400 millions, Great Britain nearly 40 millions. History may repeat herself, and with increased facilities for reaching this country, with dear bread in England and a threatened potato famine in Ireland, an addition of over a million persons during the next five years from the British Isles, as the result of the gold discoveries, quite apart from the gains from United States and elsewhere, may, from the above figures, easily be reached, startling as these figures may appear to-day when contrasted with those of the arrivals by way of Halifax and Quebec during the past five years which have not exceeded an annual average of 23,000.

I must not be understood as prophesying that this immigration is destined to settle itself in the Yukon Territory, for there, with nine months of Arctic winter, we must expect that only those of strong nerve, great endurance, robust health and well provisioned, will venture so far in the outset; but we may reasonably hope that while the gold fever lasts portions of the immigrant population will distribute themselves in the more accessible and favorably situated mining regions of Kootenay and Cariboo, and Lake of the Woods district. But even into the newer territory of the Yukon we may hope that the gains will be by no means inconsiderable with the establishment of overland communication in the near future as contemplated by Government. With law and order prevailing, and mail and telegraph facilities completed, immigrants will continue to arrive until the remuneration afforded to labor in the mining regions is brought to a level with ordinary advantages elsewhere.

IMMIGRATION AID

If the idea of prepaid or assisted passages to this country be encouraged by our Government, it might not be amiss for them to solicit the co-operation of the home authorities, pointing out that England has an interest in any emigration taking place from her shores, not only by reason of the stimulus it gives to every branch of her shipping interest, and the increase in wages which it will create, but further, in the inevitable increase in her commerce. These are truisms to all political economists, for every immigrant becomes not only a customer for what England can produce, but a producer of what England wants. The wealth so far drawn in the new territory is held principally by prospectors from the United States. The figures reported are large when we consider that quartz mining has not yet begun, and that the deposits so far touched are the alluvial deposits of the mountain rivers only. The advice is doubtless timely which has come from Government ministers while abroad, seeking to stem any mad rush of investors into mining companies while so much is untested and unverified; but this is a phase of the question by itself, and a distinctly separate concern.

THE CANADIAN CLIMATE

Hindrances to immigration are found in misconceptions of our climate. Ours has been called a country of ice and snow, and while this is true, the fact need not be overstated. In eastern Canada, and the extreme northwestern provinces, the climate is frigid at its proper season, and the snow abundant. But let us point out that vegetation is not delayed by winter's inclemency, nor is maturity retarded, for the caloric is retained in the soil. Beyond this, we have only to consult the tables of longevity to find that the cold and snow which nature bestows upon the Dominion, do not tend to shorten the span of life of her inhabitants any more than they retard her business progress. It may nearly be accepted as an axiom that physical and vegetable life reach a fuller and more robust maturity within certain northerly limits: witness for instance, the French inhabitants of certain portions of Quebec province and the wheat of Manitoba. Our visiting medical scientists, who have so recently departed from the Dominion, will have had ample opportunity to diagnose our climatic conditions at a season when ice and snow do not abound, and cannot fail to have observed how favorable they are.

FORESTRY

Speaking of our forests, the areas from which we get our exportable timbers are each year decreasing, partly through the

ignorance of settlers, who regard every tree as a standing menace to the country's progress, and largely to the destruction caused by forest fires. Whilst population is needful, we cannot close our eyes to the reckless waste of timber, at one time deemed inexhaustible. Our departments of Crown lands throughout the provinces should weigh well the value of the various sections of country which they offer to intending settlers, separating those suitable for farming purposes from those useful principally for their timber growths, preserving the latter under proper regulations, and by means of forest guardians. The forests of all newly explored districts, and those in the west soon to be opened up, should be so protected. The wisdom of leasing Government lands for the purposes of exploration on a large scale, even where the bona fides is apparent, and the operators men of experience from abroad, is to my mind an unsolved question. We see that the Ontario Government have recently leased some 60,000 acres to a foreign mining syndicate, for a term of years for development, and the result we shall watch with anxiety. In cases such as this, heed should be given to the protection of timber lands through which passage is effected, in order that depredations may be prevented, and only mature timber touched. The forests play a large part in our material development, and there should be a due proportion of forest growth throughout the agricultural districts. In the older provinces, particularly, if a generous yield is to be expected from the soil, it is essential that it should have its timely and sufficient rainfall, and that the growing grains may have protection from devastating winds, results which can only be secured by having wooded areas adjacent to all arable lands. This is corroborated in the statements in the public press emanating from the director of the experimental farms, Dr. Wm. Saunders (who last week returned from his annual inspection) respecting the farms at Indian Head, N.W.T., and Brandon, Man., to the effect that "at both these Northwest farms evidences of the benefit to crops of shelter from tree belts have been very manifest this year; these fields influenced by shelter having given from five to twenty bushels of grain more per acre than the same varieties sown near by, or on similar soil and with similar cultivation but beyond the influence of these protective agencies. The shelter belts of forest trees not only break the force of the winds, but act also as snow collectors, and thus produce conditions of moisture in the spring very beneficial to the growing crops." We need, therefore, legislation not only to conserve the forests already standing, but to encourage the owners of lands, whether individuals or corporations, to replant with timber those sections which have been unwisely or carelessly denuded of it.

EXPRESS COMPANY COMPETITION

And now, touching upon matters of more direct concern and in studying the subject of competition on the part of express companies within the Dominion, and their active efforts to extend the sale of money orders, we have to ask ourselves the question, how far is their action legitimate competition, and how far is it an encroachment upon the domain of banking. I wish to speak generally, so as not to anticipate or bias the action of this meeting, or of any committee appointed to deal with the subject. These are days when we are wont to place the most liberal construction upon the intent and meaning of the phraseology used by law-makers in constructing Acts of incorporation for business concerns, and oftentimes what is not expressly stated, is held to be impliedly there. Nevertheless, in analyzing the powers of our express companies, as conveyed to them by their Acts of incorporation, I do not find anything more than a carrying trade expressed in the privileges conveyed, or possible of interpretation from the language used, and yet we see these companies engaged in the business of banking. Their powers really are :—

"To contract with railway and steamboat companies, and others, for the carriage and transport of goods, merchandise, money, packages and parcels, entrusted to them for conveyance."

"To contract with British and foreign express companies, and others, for co-operating in, and transacting, the business just described."

"To acquire or construct means of conveyance by land or water for the carriage and transport of goods."

In fact, full power to do what they themselves call a forwarding business—and no more. Notwithstanding the able defence which the companies have made when charged with exceeding their powers, I do feel that they have encroached on banking prerogatives, and in some way should be restrained. The Federal Government have in their money order system, all the facilities requisite for supplying the public with drafts for small amounts such as are not applied for at the banks. It should be for them, if not for the banks, to create these drafts or money orders. The express companies are, therefore, in competition with the Government, as well as with the banks.

GOVERNMENT COMPETITION

It may be asked why the banks do not complain of the competition of the Government in this matter. It may be replied that although the banks on this side of the Atlantic might not be justified in urging a complaint, it is to be noted that as between the banks in the Mother Country and the Home

Government, the feeling has expressed itself in words to the effect that "State competition in banking has already been carried quite far enough." This may have had more especial reference to a new feature, viz:—to "savings bank postal orders," and to the fear that Government were about to permit their savings bank clients to treat their accounts akin to drawing accounts, instead of expecting them to continue cumulative by reason of the depositors' thrift, and be virtually dormant on the drawing side. However these things may be, banks might well urge against the Government a grievance which has existed ever since legislation, beginning with 1868, made $5 bills and multiples thereof, the lowest denomination which the banks in issuing circulation could put into the hands of the public. If it be true that our banking system is second to no other, and that one of the functions of banking is the emission of a circulating medium, which in our case, legislation has declared shall be a first charge upon all banking assets besides being supported by a special redemption fund, surely it is a violent interference with the natural development of banking, to cut short this absolutely safe circulating medium at the limit of a $5 bill. I have before me the Government return for July, wherein I find general banking assets of $338,000,000, a double liability fund of $62,000,000, as security and by preference, for a present outstanding circulation of $33,000,000. In other words, the public have $12 of security for every dollar of circulation issued by the banks. How anomalous then, this restriction, which deprives the banks of power to issue $1's, $2's and $4's, when the Banking Act gives them power to issue notes for $1,000 each and over. No wonder, then, that banks with authority to issue $12,000,000 of circulation, stop short at five millions, and, similarly, banks with power to issue $6,000,000, remain below $3,000,000. Let us, when the time comes for reconsideration of our charters, be prepared to press our claims vigorously for a restoration of those rights which were deemed natural and fundamental before Government entered the sphere of banking. Granting it to be a moot point, how far it is within the sphere of Government to so engage in banking, and willing for the time being that they should continue to retain to themselves the issue of such notes as are held by the banks as reserves, we contend that they should abandon the issue of the smaller notes altogether.

EXTENSION OF CIRCULATION

I have it in my mind to propose to you the consideration of another feature in connection with our present system of circulation, confined as that circulation is to a limit equal to the unimpaired paid-up capital of the banks (excepting the cases of

two banks with head offices in London, England, for which the Act makes other and special provisions), and my proposition is that the banks be allowed to exceed their present circulation by 25 per cent. or any part thereof, on the understanding that they lodge the full equivalent of this excess with the Government in gold coin, upon which deposit of gold they will be allowed, say, three or even two and one-half per cent. interest, the deposit not to be disturbed within a year. When it is borne in mind that the till moneys created by banks, with capital of $2,000,000 or less, out of their own issues, prevent their circulation from reaching its full limit in the hands of the public at any time, the proposition should approve itself to the Government as a reasonable one, and I venture to hope that you will join with me in so regarding it, and aid in bringing it within the range of practical politics.

BRANCH BANKING

One of the benefits of our branch system was shown when Newfoundland was in the throes of financial trouble, and several of our banks took the places of local institutions which had failed; doing this not as institutions raw and untutored in finance, but bringing with them into the new surroundings a complete and effective working system drawn from the standards of the parent office. And so it has been in occupying distant portions of our Dominion. The banks have given stability and brought development to settlements, which, were they dependent upon local energy, talent or capital for the creation of their own banking establishments, would be yet in their infancy. Moreover, the charge cannot be brought against our banks as a whole of unduly multiplying branches, but it would seem wise and consistent (and I feel very strongly hereon) to adopt the policy of conferring with one another as to the places available for the establishment of new banking centres, before coming abruptly face to face with the fact that brother bankers have already chosen and amply covered the same ground. When we remember that after leaving the boundary line of the province of Ontario, only one head office of a bank is to be met with up to the outer limit of the Pacific coast, it should speak well for the effectiveness of our branch banking system, that at the expiration of each month the public are fully informed of the result of all the transactions which have taken place in this wide extent of territory, as well as at all points nearer at hand.

SHORT CREDIT TERMS

I should like to see a shortening of credit terms by the wholesale trade of the country. The present system of long credit is at fault, for it tempts men to live not upon the profits

of the goods, but upon the sales of the goods themselves, until insolvency ensues, to the detriment of trade and banking interests.

BI-METALLISM

It is a most unhappy circumstance that England, whose commercial supremacy has been established on a monometallic basis, and who is to so enormous an extent a creditor nation, should at this juncture jeopardize these interests through the recent threatened action of the authorities of the Bank of England, in contemplating the holding of one-fifth of the bank reserves in silver. A step of such immense responsibility, involving the prestige of the Bank and of the nation, should never have been ventured on without an appeal to Parliament. Its mere permissibility under a clause of the Bank Charter Act of 1844 is insufficient argument for its justification, seeing how changed the condition of affairs is at home and abroad from what it was fifty-three years ago. The principle underlying the measure when framed by Sir Robert Peel, at a time when the annual average of the world's production of silver was less than £6,500,000, and when India and China were liberally absorbing vast quantities of the metal, must now be regarded as obsolete when the annual production has swollen to nearly £45,000,000, and menaces the agricultural and business interests of every trading nation. Since I ventured to record this opinion in my address, which I am confident is shared by all the banking profession in Canada, I note that a very strong remonstrance has been addressed by the banking community in London to the directors of the Bank of England, a precursor, let us hope, of the wiser counsels in that body, for, without perhaps intending it, the board's unfortunate declaration simply invites the bi-metallists to renew the battle of the standards. As regards the neighboring Republic, should the vote of the twenty-three anti-silver States in the last election there prove insufficient to eradicate the free silver sentiment, let us hope that the increasing prosperity of the Republic will prove the best antidote to the disease.

TRADE WITHIN THE EMPIRE

There is much room for enlargement of our trade with other portions of the Empire, particularly with Australasia and South Africa. Our merchants have not yet seized upon the advantages to accrue from the visits of fully authorized representatives to the various ports, as against efforts to promote trade by correspondence. Amongst other things, commercial agents report that business is lost to Canada in the British Columbia timber trade by permitting United States export agencies to handle their output instead of placing it direct with buyers—

the export agencies transferring the purchases to mills in their own country. The United States continue to make headway in both Australasia and British Africa, as the following figures will show :

Exports to Australasia, for eight months, ending 28th February, 1896	$7,840,610
Exports for eight months, ending 28th February, 1897	12,292,338
Increase	$4,451,728
Exports to British Africa for same period, 1896.	$6,544,829
Exports for same period, 1897	9,150,046
Increase	$2,606,217

And these increases are reported in articles which, as the commercial agents of the Dominion point out, Canada produces and ought to furnish, viz.: Animals, breadstuffs, butter, cheese, beef and hams. One of the present members of the Dominion Cabinet, after his return from a visit to South Africa, expressed the opinion that that country needed what Canada could supply, timber and provisions, while Canada wanted South Africa's gold. Gold of her own Canada now possesses in lavish quantities, so that a stimulus to trade heretofore lacking, being supplied, Canada cannot excuse herself if she fails to seize her opportunity to extend her trade within the Empire. How scanty her trade now is with the places mentioned the following figures will demonstrate :—

Imports from British Africa—	1895
Wool	$89,917
Other goods	6,142
Total	$96,059
Exports to British Africa—	
Agricultural implements	$25,321
Musical instruments	2,552
Wood and manufactures of wood	35,313
Not classed	9,724
Total	$72,910
Imports from Australasia—	
Wool	$71,459
Tin in blocks	5,056
Tin in blocks, pigs and bars	5,056
Not classed	41,436
Total	$117,951

Exports to Australasia—	1895
Fish	$82,456
Agricultural implements	136,401
Musical instruments	13,457
Wood and manufactures of wood	94,925
Not classed	101,038
Total	$428,267

Australasia's reported wheat requirements for consumption and seeding this year were computed at four millions of bushels over her crop of twenty-five millions. Why, then, should not Canada, with her surplus, fill this want, and why are no figures relative to wheat shown in our statement of past exports? Are our grain merchants at fault here?

THE MINT

The report of the Executive Council has alluded to the discussion which took place at the last session of the Federal Parliament, on the introduction of a bill to establish a mint in Canada, and to the expression of opinion on the part of bankers that the time had not come for so large an undertaking, in view of the heavy expense involved in its proper conduct and equipment, and the profit presently accruing to us from our subordination to the royal mint in England. A very handsome seigniorage comes to us annually from our silver and copper coinage minted there, as the two following illustrations from the Auditor-General's Blue Book of 1896 clearly show:—

Silver coinage:	
104,610 std oz. silver and 1-8 brokerage	$ 65,195
Royal Mint charges	4,200
Express and insurance charges on coin and silver delivered at Assistant Receiver-General's offices, Toronto, Halifax, St. John, Winnipeg, and Montreal	1,120
	$ 70,515
Face value of coinage	140,000
Profit	$ 69,484

Copper coinage:—	
Metal and coinage	$ 2,554
Express and insurance charges to Toronto, Halifax, St. John and Montreal	321
	$ 2,876
Face value of coinage	10,000
Profit	$ 7,123

It is known to bankers, and the general public should take note of the fact, that there is no profit on a gold coinage. The necessary alloy which it contains being only 2 per cent, leaves no profit on working when the loss on redemption of light coins is brought into the calculation. This being so, we should not hurriedly and through false appreciation of the circumstances, curtail our present advantages. The Association should, I think, be heard on this point, notwithstanding the strong plea which comes from some able men in British Columbia, that the minting in this country of our own silver is needed to drive out the American coin with which that province is flooded. Our own coin should most certainly be the circulating medium, but the contention that a further supply of it is presently needed is met by the statement that the coffers of the Government's agents at Montreal contain an accumulation of nearly $400,000 of Canadian silver at the present time, which the Government would gladly see put into circulation. The time may come when branch mints may be established, as in Sydney and Calcutta, but until then we should be satisfied to have our coin struck in England.

In saying this there is no inconsistency or stultification in recommending very strongly the benefit to arise in developing the national spirit, by adding to our present metallic circulation, coins of gold. Mr. Chamberlain, the Colonial Secretary, has said that much in commercial and financial progress rests on sentiment, and we know that distant Australia has stood higher and nearer in the appreciation of the British public, and we say it without jealousy, because the British public have seen and handled the Australian sovereign. Now that Canada has secured in the eyes of that same public, owing to her trade policy, her railway enterprise, and her encouragement of education, a recognition of her value to the Empire as an integral part of it, such as she never had before, I am convinced that her value would be enhanced, sentimentally, at least, by a gold coinage struck at the English mint, bearing the emblems of Canada. I commend the subject to the consideration of the Government at Ottawa, and to the support of this meeting.

OUR FUTURE

Habitually we look *westward* for the evidences of growing prosperity, and to the fields and the forest and the river for our material wealth, but the development of these bountiful resources hinges in the largest degree on our being able, when looking *eastwards*, to find that at the seaboard the national interests are not neglected. It will not do to hamper trade by excessive and vexatious canal and harbor dues, by slow freight-

age, and imperfect methods for preservation of goods in transit. The efforts of the Government to aid in the establishment of a fast line of steamers, and to provide cold storage for perishable products, both on shipboard and during inland conveyance, presage much for the welfare of the country; and to these must be added the Government's encouragement of winter dairying and scientific farming. Some figures of present progress already well known to most of us, will fix themselves more firmly in our minds if repeated here :—

	30th June, 1892	30th June, 1897
Exports	$113,963,375	$134,113,979
Imports	127,406,068	111,380,777
Classes of exports—		
Produce of the mine	5,905,628	11,311,583
Produce of fisheries	9,675,398	10,365,316
Produce of the forest	5,288,087	31,319,035
Animals and their produce	28,594,850	39,159,036
Agricultural products	22,113,284	18,101,204
Manufactures	24,035,488	9,420,820
Miscellaneous articles	71,518	155,979
Totals	$95,684,253	$119,832,973
Coin and bullion and short returns	5,157,331	3,478,950
Grand total	$100,841,584	$123,311,923
Foreign	13,121,791	10,802,058
	$113,963,375	$134,113,979

OUR INTERESTS BEFORE THE COURTS

At the Council meeting in April, I drew attention to a decision of our Supreme Court of much concern to banks generally, by reason of their constant liability to be placed in a position similar to that of the bank specially affected by the judgment in question ; and I refer to the fact again, to emphasize the need of a common understanding as to what decisions of the courts are of sufficiently grave import to be brought under the ægis of the Association, looking to the preparation of a test case on their behalf. Application has been made to the Executive Council in the past, soliciting not only the moral support of the Association, but asking that they share the heavy expense of appealing cases to the Privy Council. The reply has been that the Executive Council could not view the questions as coming within the scope of their work, or of a nature to justify the use of the revenues of the Association in the manner applied for. The question, nevertheless, remains, and must continue to arise, are there not judgments of the courts

where issues are of paramount importance to the banking profession, and should not the Association at large help to carry them to a court of last resort? The suggestion is now made that as a method is clearly needed for arriving at a conclusion on a question of this kind, a committee of lawyers be appointed, say, one from the province of Ontario, one from the province of Quebec, one from the lower provinces and one from the North-West, who shall decide whether a case submitted to the Executive Council be carried to appeal or not, and on whose decision the Council will agree to act. To bankers doing business in the province of Quebec the amended Code of Civil Procedure will be regarded as a boon, removing as it will much of the procrastination resulting from the unwieldy and intricate methods of the old code, of which bankers have had to complain. Now that the court lists have been cleared of their accumulation of work through the growing accord between Bench and Bar, we may hope that exasperating delays in rendering judgment will no longer obtain, and that business will be facilitated rather than hindered by those who administer the law. Canada can boast of a learned judiciary and of judges not constituted by popular election. That the profession of law may continue to attract the highest intellectual energies of its members, and not simply be used as an avenue of political influence and reputation, it is very needful to provide adequate remuneration for our judges, so that the emoluments of the Bench may not stand in too severe a contrast to the previous earnings at the Bar. The business conditions of the country require men of talent to preside in all the courts, and a judgeship should be made a prize worth striving for. On looking at the salaries paid in some other British possessions, I find the following of record within the last five years:—

	Chief Justice	Puisne Judge
British Guiana	£2,500	£1,500
N. S. Wales	3,500	2,600
Victoria	3,500	3,000
Straits' Settlements	$12,000	$8,400
Hong Kong	12,000	8,400
Capetown	£2,500	£1,500
As against Canada—		
Ontario Courts—		
Queen's Bench—Appeal and Common Pleas	$6,000	.....
Quebec—		
Queen's Bench	6,000	$5,000
Superior	6,000	6,000
Nova Scotia	5,000	4,000
New Brunswick	5,000	4,000

AN INSOLVENCY ACT

It will be remembered that when legislation affecting bankrupts was before Parliament in 1894, the Association, while not at the time desiring the passage of any law in insolvency, carefully watched the measure then before the Senate, in order to secure in the public interest the framing of a bill which would provide methods for prompt and inexpensive distribution of estates, discourage reckless trading, and make it a difficult matter for a fraudulent debtor to re-enter business circles.

Should similar legislation again engage our attention—and a demand for it continues to be made in certain sections of the press—it must be our aim to render the discharge clauses introduced very stringent in their nature, and to insist upon satisfactory evidence being produced to the judge in insolvency that the debtor has not failed to keep a proper set of books, or to fully dispossess himself of his estate to his creditors. The banks will also need to see in any enactment which Parliament may consider that their interests are not discriminated against unduly. Under the administration of former insolvency laws it was claimed that the judges in the ordinary courts, by reason of overwork, could not bestow the needed attention upon insolvency cases. To obviate a recurrence of this, should legislation be again brought forward, I should favor the creation of special judges, of experience in commercial jurisprudence, to devote their whole time to insolvency proceedings.

OUR ASSOCIATION

It was contemplated when the Association was first formed to promote the efficiency of bank officers by arranging courses of lectures on commercial law and banking, and on those questions, technical and general, which are embraced under finance and economy. Nothing has been done so far, to give effect to this idea, but it would be a pleasant thing to look forward to, at the hands of some of our citizens who may be connected with the banks, and at the same time with university control in any of the provinces, the establishment of a chair in these universities on the subjects just alluded to. Let me commend the project to them as one worthy of elaboration, and, if carried out, tending to promote a broader and more professional spirit amongst bankers.

The elevation to the peerage of our Honorary President, with the title of Baron Strathcona and Mount Royal, is but a fitting recognition of his worth and his efforts to strengthen the bonds of the Empire.

THE QUEEN

In conclusion, the sixtieth anniversary of Her Majesty's accession must not be passed by without reference. The achievements of her illustrious reign have been so signal and complete, and have had so important an influence in the building up of this Dominion, that we may well emphasize it here. To the justice and purity of her administration may be attributed the stability which surrounds us even in this young country. Well has she fulfilled the predictions which were made when she first ascended the throne, and wise has she been in her choice of those with whom she has surrounded herself to fulfil the functions of government, generous too in extending the circle of her Privy Council so as to include eminent colonial judges and statesmen. None the less ready than wise has Her Majesty been, when fixing her gaze upon the distant portions of her realm, to single out and recognize from time to time, the worth of those leaders of popular government who have sought to instil the glorious principles of the British Constitution in the growing nationalities around them. The honors which have come from her hand to our own Right Honorable Premier, Sir Wilfrid Laurier, P.C., deserved yet uncoveted, are worn with dignity and grace, and we should join with our brothers of French-Canadian origin in those feelings of satisfaction which must be theirs over these tributes to the loyalty and statesmanship of our first French Prime Minister. The late poet laureate must have had visions of this sixtieth year, and of Queen and counsellors, and colonial statesmen in conference together, when nearly half a century ago he said:—

> "Statesmen at her council met
> Who knew the season when to take
> Occasion by the hand, and make
> The bounds of freedom wider yet."

ENDORSEMENTS OF VARIOUS KINDS, RESTRICTIVE, STAMPED AND OTHERWISE

IN VERY early times it is probable that a banker when examining an endorsement was troubled with little more than the question of the genuineness of the signature, an endorsement then being probably, as a rule, a simple transfer of the bill, and the bill transactions themselves being probably of one simple kind. It is likely also that the business training and habits of those then engaged in the transactions and by whose hands bills were drawn and endorsements made were such as to lead to formality and accuracy in such matters.

As time progressed, however, and as transactions became more numerous and more complicated, and as more and more of clerical work and details had to be left to clerks and assistants not always fully qualified for the work entrusted to them, the questions arising out of endorsements became more numerous and difficult till at the present day, especially in Canada and the United States, the varieties have become very numerous. The increase of joint stock companies has considerably added to their number. That the banks are greatly interested in this subject, and are perplexed by it, is not to be wondered at. The object of this paper is to help them in dealing with it.

If an endorsement be neither restrictive nor conditional, if it be so placed and worded as to show clearly that an endorsement is intended, if purporting to be the endorsement of the person or firm to whom the bill is payable (whether originally or by transfer), the names correspond ; if purporting to be made by someone on behalf of the endorser it indicates by words that the person signing has authority to sign, and if purporting to be the endorsement of a corporation the official position of the

persons signing be stated, then the task of the banker is comparatively simple. He would merely have to satisfy himself that the signatures were genuine and that those signing for others had authority to sign. But, unfortunately, endorsements are not all made in those regular and formal ways; many are restrictive; sometimes they are conditional; sometimes the names of payee and endorser do not correspond; in many cases there is nothing but the fact of the endorsement itself to indicate that the person signing for another or for a corporation had authority to sign; in some cases that which is relied on as an endorsement is so placed or worded as to make it doubtful what kind of endorsement it is or whether it is intended as an endorsement at all; and of late years many endorsements are wholly stamped, there being no written signature or even initials to indicate by whom the stamp was put on.

The result of all this is to cause friction and trouble between the banks themselves, whose daily transactions with each other consist largely in the exchange of items bearing endorsements. There is much scope for honest difference of opinion as to endorsements, and as to the duty of one bank towards another with respect to them, and the wonder is, not that friction arises occasionally, but that it is not more frequent.

Some way out of the difficulty must be found, but a remedy which would seek to change suddenly the habits of the commercial community would prove unworkable and might be worse than the disease. The necessities of banks themselves, bearing in mind the multiplicity of daily transactions, especially in city offices, make it essential that the remedy should tend to decrease instead of increase the office work. Both the public convenience and that of the banks must be consulted, but all unnecessary risks must be avoided. If there be but two evils to choose from, the lesser must be chosen. A course must be adopted which will afford the banks the greatest amount of convenience and the least amount of risk, and which will at the same time as far as possible be convenient to the public.

As the most important branch of the subject is that of risk, let us first enquire what the risks are. This involves a consider-

ation of the various classes of endorsement somewhat in detail.

ENDORSEMENTS WHICH ARE WHOLLY STAMPED

are so convenient that they have doubtless come to stay. How far do they involve risks to banks?

Section 32 of the Bills of Exchange Act declares that an endorsement "must be written on the bill itself and "be signed by the endorser; the simple signature of "the endorser on the bill without additional words is "sufficient."

Section 90 provides that "Where by this Act any instru- "ment or writing is required to be signed by any person it is "not necessary that he should sign it with his own hand, but it "is sufficient if his signature is written thereon by some person "by or under his authority."

It will be observed that the word "written" is used in each section; but by the Interpretation Act, R.S.C., cap. 1, sec. 7, sub-sec. 23, which applies to this as well as to other statutes, it is provided that unless the context otherwise requires, "the "expression 'writing,' 'written,' or any term of like import, "includes words printed, painted, engraved, lithographed or "otherwise traced or copied." Hence a stamped endorsement, if made by or under the endorser's authority, would have the same effect as if actually written and signed by the endorser's own hand. The provisions of our statutes in this respect are but an affirmance of the law as it existed before the Bills of Exchange Act was passed. The risk involved is, therefore, practically confined to the authority under which the stamp is used. I refer, of course, to a stamped endorsement the words of which are free from objection.

Before the Act of last session relating to forged and unauthorized endorsements, the risk involved in paying a bill bearing a stamped endorsement was much greater than it now is, as the right to recover from a subsequent endorser, or from the person who received the payment, was extremely doubtful. A stamped endorsement put on without proper authority would be an unauthorized endorsement within the scope of the Act referred to.

I have in another paper, which appears in the October

number of the JOURNAL of the Association, explained at length the scope and effect of this Act, but in order to make this paper complete in itself it will be convenient to repeat here some of the explanations there made. The Act is as follows:

CHAP. 10

"AN ACT RESPECTING FORGED OR UNAUTHORIZED ENDORSEMENTS "OF BILLS

"*Assented to June 29th*, 1897

"Her Majesty, by and with the advice and consent of the Senate and "House of Commons of Canada, enacts as follows:—

"1. Sub-section 2 of section 24 of *The Bills of Exchange Act*, 1890, as "amended by section 4 of chapter 17 of the statutes of 1891 intituled 'An "Act to amend *The Bills of Exchange Act*, 1890,' is hereby repealed, and the "following sub-sections are substituted therefor:—

"2. If a bill bearing a forged or unauthorized endorsement is paid in "good faith and in the ordinary course of business, by or on behalf of the "drawee or acceptor, the person by whom or on whose behalf such payment "is made shall have the right to recover the amount so paid from the person "to whom it was so paid or from any endorser who has endorsed the bill "subsequently to the forged or unauthorized endorsement, provided that "notice of the endorsement being a forged or unauthorized endorsement is "given to each such subsequent endorser within the time and in the manner "hereinafter mentioned; and any such person or endorser from whom said "amount has been recovered shall have the like right of recovery against any "prior endorser subsequent to the forged or unauthorized endorsement.

"3. The notice of the endorsement being a forged or unauthorized en- "dorsement shall be given within a reasonable time after the person seeking "to recover the amount has acquired notice that the endorsement is forged "or unauthorized, and may be given in the same manner, and if sent by "post may be addressed in the same way, as notice of protest or dishonour "of a bill may be given or addressed under this Act."

This new section is framed so as to cover a bill simply, whether it be payable on demand, at or after sight, etc., and whether it be drawn on a bank or otherwise. Section 88 of the Bills of Exchange Act provides that, with certain specified exceptions, the provisions of the Act relating to bills of exchange apply with the necessary modifications to promissory notes, and in applying those provisions the maker of a note shall be deemed to correspond with the acceptor of a bill and the first endorser of a note shall be deemed to correspond with the drawer of an accepted bill payable to the drawer's order. By section 72 a cheque is defined to be a bill of exchange drawn on a bank, payable on demand. The new section would therefore apply to a bill of exchange, a promissory note and a cheque. It is also framed to cover both a forged and unauthorized endorsement, and a payment to be recovered back must have

been made in good faith and in the ordinary course of business. Section 89 of the Bills of Exchange Act declares that "a thing "is deemed to be done in good faith within the meaning of this "Act where it is in fact done honestly, whether it is done "negligently or not." In this connection it will be interesting to note that section 79, which affords protection to a bank paying a crossed cheque, requires that the payment should be made "in "good faith and without negligence." The difference is important. The repealed section in terms conferred the right of recovery back upon the drawee only. The new section confers the right upon the person by whom or on whose behalf the payment is made. "Person" under the Interpretation Act, includes "corporation," and, therefore, a bank. It is, of course, a common practice for customers to make their notes and acceptances payable at their bank, and the bank is justified in paying them out of funds at its customer's credit. In making such payment without the express approval of the customer in each case the bank certainly runs some risk of trouble with its customer, should it turn out that an endorsement has been forged or unauthorized; and, should the bank have paid the item and charged it to the customer's account overdrawn at the time, its right under the repealed section to recover back the money from the endorser would have been very doubtful. The new section, however, makes the right clear, as it is given to the person by whom or on whose behalf the payment is made, so that the claim for repayment might be made either by the bank which made the payment or by its customer on whose behalf the payment was made.

It will be seen from the above that if a bank in good faith and in the ordinary course of business pays a bill bearing a stamped endorsement, which has been put on without due authority, the right to recover back the money exists, if the conditions of the Act be complied with. Therefore, the risk run by a bank which makes such a payment will be less or more according to the solvency or otherwise of the person who has received the money, and of the endorsers subsequent to the unauthorized endorsement. This Act of last session has certainly paved the way for a convenient and equitable arrangement

between banks with respect to stamped endorsements. Such an arrangement will be shortly suggested.

RESTRICTIVE ENDORSEMENTS

Section 35 of the Bills of Exchange Act defines a restrictive endorsement as follows:

"An endorsement is restrictive which prohibits the further "negotiation of the bill, or which expresses that it is a mere "authority to deal with the bill as thereby directed and not a "transfer of the ownership thereof, as, for example, if a bill is "endorsed 'pay D only,' or 'pay D for the account of X,' "or 'pay D or order for collection.'"

What risks does a bank run when paying a bill bearing a restrictive endorsement?

This subject had the attention last year of the New York Clearing House Association, and a resolution was passed forbidding banks to send through the exchanges after July 1st, 1896, any item bearing a restrictive endorsement, unless such endorsement be guaranteed.

I have had the advantage of reading in the report of the proceedings of the third annual convention of the New York State Bankers' Association a very interesting and instructive paper by Mr. S. G. Nelson, Vice-President of The Seaboard National Bank of New York, upon the subject of restrictive endorsements, in which he explains the reasons for passing the resolution referred to. The close connection between the banks in Canada with those in the United States, and the convenience of adopting here as far as possible the same system respecting endorsements which is in vogue among banks across the line, will be my justification for occupying a few minutes in reading portions of Mr. Nelson's paper, especially as I am unable to agree in thinking that the change made by the New York Clearing House affords the protection which seems to have been intended. Mr. Nelson says:—

"..... Let me briefly present to you the history "of the amendment. As far back as we can remember banks "have been in the habit of frequently adding to their endorse-"ments, when forwarding paper to New York or other points, "words of restriction, such as 'For collection,' 'For account

" of' or ' For remittance to.' Such paper was dealt with by " banks through whose hands it passed in the same manner as " paper bearing nothing but absolute or ordinary endorsements, " and it was presumed that the same right of recourse existed " against previous endorsers in both classes of paper.

" However, the result of a friendly suit brought by the " National Park Bank of New York against The Seaboard " National Bank of the same city proved a revelation to many " of us, and pointed out the great danger which lurked in cheques " and other paper having restrictive endorsements.

" In that suit the National Park Bank sought to recover " the amount which it had overpaid on a draft which was drawn " by its correspondent for eight dollars, and before having been " presented was raised to eighteen hundred dollars.

" . . . . . On July 15th, 1885, a man introducing " himself as Frank Saxton appeared at the Eldred Bank, in " Eldred, Pa., having in his possession a draft apparently for " eighteen hundred dollars, drawn by the first National Bank of " Wallingford, Conn., on the National Park Bank of New York, " and stated that he would like to have the Eldred Bank collect " the item for him.

" It was received by the bank and entered in its collection " register, and a receipt for collection was given by the bank to " Saxton. The Eldred Bank presented the paper to The Sea- " board National Bank, after endorsing it to the order of the " defendant's cashier ' For collection for the account of the " Eldred Bank, Eldred, Pa.' The Seaboard National Bank " received it on the morning of July 16, and at once notified the " Eldred Bank by mail that it had been received and placed to " its credit. On the following morning The Seaboard National " Bank presented it through the exchanges of the New York " Clearing House to the National Park Bank for payment, and, " as there was nothing on the paper to indicate in the slightest " degree that the draft had been tampered with, the National " Park Bank paid the full amount. It was, of course, the custom " of The Seaboard National Bank to notify its correspondent of " the failure of collection of any of the drafts or checks, or of " anything wrong regarding them. The Eldred Bank waited " until July 25, and, having been advised ten days prior of the

"due receipt and credit of the draft, became satisfied that it was "a valid instrument, and, therefore, upon request from Saxton, "paid over the proceeds, less a small charge for collection. . .

"It was not until Aug. 15, a month after Saxton appeared "at the Eldred Bank window, that the National Park Bank "received notice that the draft had been raised from eight to "eighteen hundred dollars. . . .

"On being notified by the Wallingford Bank that the draft "had been raised, the National Park Bank made a demand on "The Seaboard National Bank for the repayment to it of the "difference between eight dollars and eighteen hundred dollars. "By that time the Eldred Bank had parted with the money in "good faith, and the books of The Seaboard National Bank "showed that the money had actually been drawn by the Eldred "Bank. . . .

"The court rendered a decision in favor of the defendant. .

"The plaintiff sought to have the defendant held liable on "the theory that the defendant was the owner of the property, "and, accordingly, had received the eighteen hundred dollars "for itself and as its property, and that it should be obliged to "repay the money on the ground of having received property "to which it was not entitled. The defendant, however, claimed "that it had not received anything for itself in the transaction, "and as it had paid over to its principal, the Eldred Bank, the "eighteen hundred dollars in good faith, its obligation in the "transaction came to an end. . . .

"Nothing is better calculated to arouse vigilance than "responsibility. If forwarding banks realize that they are "responsible for the genuineness of paper transmitted by them, "the trade of the bank sharper will fall to a low ebb and the "cause of honest banking will be furthered.

"It was to effect this result, and to put responsibility "where it properly belongs, that the Clearing House Associa- "tion passed the resolution forbidding the sending through the "exchanges after July 1st, 1896, of any item bearing restrictive "endorsements unless they are guaranteed.

"In consequence of that resolution, restrictive endorse- "ments have largely disappeared, and forwarding banks now, "realizing that they are not merely irresponsible agents in for-

"warding transactions, will be more alert about the character "and antecedents of those for whom they act and less available "as innocent tools in the hands of criminal 'strangers.'" . .

The guarantee of endorsements made in accordance with this resolution is generally in this simple form, "endorsements guaranteed." It seems to me that, unless as between the banks interested some convention or agreement exists which extends the liability incurred under this guarantee beyond that which the words used would import, the position of a bank paying a bill bearing a restrictive genuine endorsement is in no way altered by this guarantee.

Take the examples of restrictive endorsements given by Sec. 35,—Pay D only; Pay D for the account of X; Pay D or order for collection. Assume them to be genuine. What responsibility is incurred when a bank simply guarantees them? They remain just what they were; no more, no less. The guarantee can make the guarantor liable only if the endorsements are not genuine or if they are unauthorized; it can give the paying bank no right which it would not have if the endorsements are genuine or authorized. What risk, if any, which the paying bank runs in paying is guarded against by the guarantee if the endorsement be genuine? I can suggest none, unless, as already said, there be some convention or agreement extending the meaning and effect of the guarantee, and any such convention or agreement would avail nothing to a bank not a party to it.

An examination of the reasons for their judgment given by the Court of Appeals in the Saxton case appears to me to show that the difficulty in which the National Park Bank found itself would not have been removed had the endorsement to the Seaboard Bank been unrestricted in form. The real difficulty was not the form of the endorsement (though this was undoubtedly a strong piece of evidence in favor of the position taken by the defence); it was that the Seaboard Bank was *in fact* an agent merely, and had before notice paid over the money to its principal. The following is an extract from the report of the case in vol. 114, N.Y. Reports, at page 33:—

"When the draft in question was paid by the plaintiff under "a mistake of fact, the defendant either owned it or simply held "it for collection as agent of the Eldred Bank. If the defendant

"had then owned the draft it would have become liable upon "discovery of the facts to refund the amount mispaid, provided "its condition had not in the meantime changed so that this "would be unjust. If, however, the defendant did not then own "the draft, but merely presented it for payment as the agent of "another bank, it could not be required to repay, provided it had "paid over to its principal before notice of the mistake.

"The plaintiff claimed that the entry made by the defendant "on its books to the credit of the Eldred Bank upon receipt of "the draft proved that it belonged to the defendant, while the "defendant claimed that the restrictive endorsement of the draft "by the Eldred Bank prevented any change of title and simply "created an agency for collection. A question of fact thus "arose as to the intention of the parties to the transaction, to "be determined by considering their words and acts, their course "of business, and all of the surrounding circumstances."

From the above language it seems evident that the Court did not consider the form of the endorsement conclusive; the real facts were being considered, and if, as a fact, the Seaboard Bank had not been an agent, the form of the endorsement would not have stood in the way of a recovery by the National Park Bank, if under the other facts they were entitled to recover.

This is apparent when it is borne in mind that the action to recover back the money was not and could not have been brought upon the bill itself. It was based upon the principle that a person receiving money under a mistake of fact ought not to be allowed to retain it as against the innocent payer, unless some other equity intervenes which would make it unjust to compel him to refund. If he in fact be a mere agent, and if he has before notice of the mistake remitted the money to his principal, his equity is at least as strong as that of the payer, and he should not be made to suffer.

The National Park Bank afterwards brought an action against the Eldred Bank to recover the amount, basing its claim upon the allegation that the Eldred Bank was the principal in the transaction. Judgment was given in the plaintiff's favor; and I am bound to say that in giving judgment on an appeal from the trial judge the Court seems to have proceeded upon the principle that, as the endorsement to the Eldred Bank was absolute in form, in presenting the draft for collection that

bank represented itself to be the owner and assumed the position of principal so far as the paying bank was concerned. The following is an extract from the report of the case, 90 Hun. (N.Y), 285 :—

"The draft in question was endorsed absolutely to the "Eldred Bank, and it directed its collection for its account, "thereby assuming the place of principal as far as the plaintiff "was concerned. If it was acting as collecting agent only, as "it now claims, such agency was not disclosed to the plaintiff "at the time of the transaction, and it had the right to rely "upon the responsibility of the defendant as owner of the draft "in paying the same. . . . . In the presentation of the "draft for collection the defendant represented itself to be the "owner of the draft, and the payment was made by the plaintiff "under those circumstances."

If this judgment means that the form of the endorsement was conclusive and prevented the Eldred Bank from showing that it was in fact agent only, and if it be upheld in appeal, then in requiring absolute instead of restrictive endorsements the New York paying banks are affording themselves great protection, and the presenting banks are by such endorsements taking great responsibility, if as a matter of fact they are collecting agents only; but, if the judgment intended only to deal with the facts in the case, or if it be reversed on appeal, then the paying banks are no better off under an absolute endorsement than they are under a restrictive one; in fact, they are left in a more uncertain position, as under an endorsement for collection they may assume that they are dealing with an agent, whereas under an absolute endorsement they may *think* they are dealing with a principal when in reality it is an agent only.

But however that precise question may ultimately be decided in New York, the law there seems to give a paying bank a clear right to recover back money paid under a mistake of fact as to the genuineness of the bill or of an endorsement, provided that the party receiving the money could not show circumstances which would make it unjust to call for the repayment.

If an endorsement guaranteed be forged or unauthorized, the guarantee would no doubt throw upon a collecting bank a greater responsibility than it would have but for the guarantee,

and in such case, but not in case of a forged or raised bill, the guarantee would afford substantial protection.

In Ontario, since the decision in the case of *Bank of Liverpool v. River Plate Bank* (which is commented upon at length in vol. 4 of the JOURNAL, page 205), it must be regarded as law that as a general rule, if a bank pays a forged or raised bill to a holder in due course, it cannot recover back the money, unless it can bring itself within the provisions of the Act of last session relating to forged and unauthorized endorsements. Therefore, the form of the endorsement, i.e., whether restricted or absolute, is with us immaterial, provided only that it is sufficient if genuine to enable the holder to receive payment and discharge the bill.

To answer now the question already asked: "What risks does a bank run when paying a bill bearing a restrictive endorsement?"

1st. There is the risk common to all endorsements—that of forgery, or want of authority.

2nd. There is the risk involved in determining whether the bank or person presenting the bill is entitled to receive payment of it. This depends upon the words of the endorsement.

In the great majority of cases the risk involved in the second is but trifling, as the cases must be few and far between where payment is made when the meaning of the endorsement is really in doubt. These two practically comprise all.

Although with respect to the risk in paying, the existence of restrictive endorsements is not of much consequence here, yet, for the purpose of uniformity and to prevent laxity, and specially to make our endorsements acceptable to the New York Clearing House, it would be well to adopt some plan by which they may as far as possible be done away with. A rule on the subject is suggested below.

ENDORSEMENTS BY AGENTS

Sections 90 and 25 of the Bills of Exchange Act have a direct bearing on this.

Section 90 enacts that where any instrument or writing is required to be signed by any person it is not necessary that he should sign it with his own hand, but it is sufficient if his signature is written thereon by some other person by or under his authority.

Section 25 provides that a signature by procuration operates as notice that the agent has but limited authority to sign, and the principal is bound by such signature only if the agent in so signing was acting within the actual limits of his authority.

The form in which one endorses for another is of very little consequence, provided it appears clearly that the endorsement is that of the principal by the agent; the main question is as to the agent's authority. An endorsement with authority "John Smith per Thomas Robinson" is as good in law as if it were written "John Smith by his attorney Thomas Robinson;" in fact, if Robinson has authority and signs simply "John Smith," the latter is bound as firmly as if the more formal phrase were used. But for practical purposes, and in the interests of system, it may be thought desirable that some indication should be given on the face of the endorsement that the agent has authority to sign. One reason suggested for this is that (as I am told) many persons will sign in the form "John Smith per Thomas Robinson" without having express written authority, either taking the chances of Smith's afterwards ratifying the signature or relying upon some indefinite verbal authority or understanding, whereas the same persons will not sign in the formal way "John Smith by his attorney Thomas Robinson." This is probably upon the same principle by which a man excuses himself for not telling the truth by saying that he was not under oath. A rule calculated to bring about the result, if it be thought desirable, is suggested below.

ENDORSEMENTS BY CORPORATIONS

The express provisions of the Bills of Exchange Act on this subject are the following:—

Section 22:

"Capacity to incur liability as a party to a bill is co-extensive "with capacity to contract:

"Provided that nothing in this section shall enable a corpor-"ation to make itself liable as drawer, acceptor or endorser of "a bill, unless it is competent to it so to do under the law for "the time being in force relating to such corporation.

"2. Where a bill is drawn or endorsed by an infant, minor,

"or corporation having no capacity or power to incur liability on "a bill, the drawing or endorsing entitles the holder to receive pay- "ment of the bill, and to enforce it against any other party thereto."

Section 90, Sub-sec. 2:

"In the case of a corporation, where, by this Act, any "instrument or writing is required to be signed, it is sufficient if "the instrument or writing is duly sealed with the corporate "seal; but nothing in this section shall be construed as requiring "the bill or note of a corporation to be under seal."

The cases of endorsement under the corporate seal are probably infrequent. As a rule it is done by some officer or officers. The question is one as to the authority. There is, of course, the prior question as to the corporation's power to enter into the contract. The remarks with reference to endorsements by agents will in principle apply here. The form in which the endorsement is made is immaterial, provided that it appear clearly that the endorsement is that of the corporation. There is always the risk as to the authority of those signing for it. But, for the same reason that it may be considered desirable to have an endorsement by an agent indicate on its face that the agent has authority to sign, it may be desirable here to have the endorsement state the official position of those who undertake to sign for the corporation. A rule on the subject is suggested below.

CONDITIONAL ENDORSEMENTS

Section 33 of the Bills of Exchange Act disposes of these as follows:—

"Where a bill purports to be endorsed conditionally, the "condition may be disregarded by the payer, and payment to "the endorsee is valid, whether the condition has been fulfilled "or not."

An example of a conditional endorsement:

"Pay to A or order if he be married when this bill "matures."

SUMMARY

The result of what has so far been said may be summed up thus:—

(1) *Endorsements wholly stamped.*—If the words are free from objection, a wholly stamped endorsement, if made by or under the endorser's authority, would have the same effect as if

actually written and signed by the endorser's own hand. If put on without authority, it would be an unauthorized endorsement, and the bank paying the bill would then be entitled to the remedy given by the Act of last session respecting forged and unauthorized endorsements.

(2) *Restrictive Endorsements.*—If the words used are sufficient to enable the holder to receive payment and discharge the bill, the position of a bank paying a bill bearing a genuine or authorized restrictive endorsement does not differ from its position when paying a bill bearing nothing but unrestrictive genuine or authorized endorsements, and, unless it can bring itself within the provisions of the Act of last session already referred to, it cannot as a general rule recover back the money. To have the restrictive endorsement guaranteed does not alter the position, if as a fact it be genuine or authorized.

(3) *Endorsements by agents.*—The form in which one endorses for another is of no consequence, provided it appear clearly that the endorsement is that of the principal by the agent. The question is as to the agent's authority, but for practical purposes it may be thought desirable that some rule should be established which will promote uniformity in the form of endorsements by agents.

(4) *Endorsements by Corporations.*—The remarks as to endorsements by agents apply here, and for practical reasons it may be desirable that some rule should be established which will promote uniformity in the form of endorsements by corporations.

(5) *Conditional Endorsements.*—Under Section 33 of the Bills of Exchange Act the condition may be disregarded by the payer.

(6) *Forged and unauthorized Endorsements.*—The Act of last session provides a remedy in these cases which under the law of England and Ontario would not otherwise have existed, thus differing materially from the law as it now exists in New York.

It is evident that, in order to promote uniformity of endorsements and to define clearly the position of a bank in the several classes of cases mentioned, co-operation of the banks is essential. In order to remove the evil of laxity and want of uniformity it

must be attacked at its source. Its source is, of course, the public. The attack must therefore be made by the banks receiving the items which are ultimately to find their way to the banks on which they are drawn. The most effectual way of making banks in the capacity of receiving banks see to the regularity and uniformity of endorsements before the item is sent on for collection or payment is to cast upon them a certain responsibility in case an endorsement be not in accordance with the requirements of any rules which may be adopted. Another reason why responsibility should rest upon the forwarding rather than upon the paying banks is that the latter have practically no means of satisfying themselves as to the genuineness or regularity of endorsements. They must either pay or decline to pay immediately, whereas the forwarding banks can take all the time required and are under no responsibility for declining to accept an item unless entirely satisfied with respect to it.

The following conventions and rules are suggested as worthy of consideration, with a view of having them, with such alterations as may be decided upon, adopted by all the banks in Canada. They are the result of many discussions by the writer of this paper with a committee of the Bankers' Section of the Toronto Board of Trade, appointed by the Section to prepare rules for use in Toronto.

CONVENTIONS AND RULES RESPECTING ENDORSEMENTS

I. REGULAR ENDORSEMENTS

1. A regular endorsement within the meaning of these Conventions and Rules must be neither restrictive nor conditional, and must be so placed and worded as to show clearly that an endorsement is intended.

If purporting to be the endorsement of the person or firm to whom the item is payable (whether originally or by endorsement), the names must correspond, subject, however, to section 32, sub-sec. 2, of the Bills of Exchange Act, which is as follows:—

> "Where, in a bill payable to order, the payee or endorsee is wrongly "designated, or his name is misspelt, he may endorse the bill as therein "described, adding his proper signature; or he may endorse by his own "proper signature."

If purporting to be the endorsement of a corporation, the name of the corporation and the official position of the person or persons signing for it must be stated.

If purporting to be made by someone on behalf of the endorser, it must indicate by words that the person signing has been authorized to sign; *ex. gr.*, "John Smith, by his attorney, Thomas Robinson," or "Brown, Jones & Co., by Thomas Robinson, their Attorney," or "Per Pro. or P.P. the Smith Brown Company, limited, Thomas Robinson."

The reason for requiring the authority of agents and attorneys to be stated in the endorsement (which is not essential to its validity) is discussed in the preceding section relating to "Endorsements by Agents" and "Endorsements by Corporations."

II. IRREGULAR ENDORSEMENTS

2. An endorsement, other than a restrictive endorsement, which is not in accordance with the foregoing definition of a regular endorsement, or which is so placed or worded as to raise doubts whether it is intended as an endorsement, is an irregular endorsement within the meaning of these Conventions and Rules.

It will be observed that restrictive endorsements are excluded from this rule; they are dealt with separately in the next rule. The reason for this is that restrictive endorsements are so common that to require them to be specially guaranteed in every case, at least for a while after the rules become operative, would be to throw upon certain bank officers an undue amount of work within a limited space of time. It is proposed by Rule 7 to make the depositing or presenting bank guarantee restrictive endorsements without placing the guarantee on the item itself.

III. RESTRICTIVE ENDORSEMENTS

3. Section 35 of the Bills of Exchange Act defines a restrictive endorsement as follows:—

"An endorsement is restrictive which prohibits the further negotiation of the bill or which expresses that it is a mere authority to deal with the bill as thereby directed, and not a transfer of the ownership thereof, as for example, if a bill is endorsed 'pay D only,' or 'pay D for the account of X,' or 'pay D or order for collection.'"

The following further examples shall be treated as restrictive endorsements within the meaning of these Conventions and Rules, without prejudice, however, to their true character, should the question arise in court, viz:—

"For deposit only to credit of....."

"For deposit in.....bank to credit of....."

"Deposited in.....bank for account of....."

"Credit.....bank."

With reference to the provision in the above rule that endorsements for deposit, etc., should be treated as restrictive endorsements, I would explain that the committee of the Bankers' Section were of opinion that it would be expedient so to treat them, with a view of having the custom which is now so universal, of endorsing items in that way, dropped as soon as possible, the intention being to make a customer endorse items

specially to the order of his bank, thus bringing the system here in accord with that in New York. I do not express the opinion that an endorsement for deposit only, or in the other forms above given, would be a restrictive endorsement. Much can be said in favor of the contention that it would not be restrictive; but, there being no decision in Court on the subject, so far as I know, and the examples given in Section 35 of the Bills of Exchange Act not covering this kind of endorsement, the words "without prejudice however to their true character should the question arise in Court" have been added merely as a matter of extra caution.

IV. FORM AND EFFECT OF GUARANTEE

4. A guarantee of endorsements shall be in the following form or to the like effect:

"Prior endorsements guaranteed by.....(name of bank)."

It may be written or stamped, but shall be signed by an authorized officer of the bank giving it.

By virtue of such guarantee and of these Conventions and Rules, the bank giving same shall be liable to the paying bank to return the amount of the item bearing the guarantee, if, owing to the nature of any endorsement, or to its being forged or unauthorized, it should appear that such payment was improperly made.

It will be observed that the effect of the short form of guarantee proposed is given by this rule. It would, of course, be binding only upon the banks agreeing to it. The guarantee would extend the liability to return the money in case of a forged or unauthorized endorsement beyond the liability cast by the Act of last session, there being no conditions in the rule similar to those imposed by the Act; and, in the case of endorsements which are neither forged nor unauthorized, the rule imposes a liability to return the money if it should appear that, owing to the nature of the endorsement, the payment was improperly made. This is a liability which might or might not exist, according to the circumstances outside of the rule.

V. ENDORSEMENT BY DEPOSITING BANK

5. When one bank deposits with or presents for payment to another bank (whether through the Clearing House or otherwise) a bill, note or cheque, the item so deposited or presented shall bear the stamped open endorsement of the depositing or presenting bank. Such stamp shall contain the name of the bank, its branch or agency, and the date, and shall for all purposes be the

endorsement of the depositing or presenting bank, and, except as hereinafter specified, no further or other endorsement shall be required, whether the item be specially payable to the bank or otherwise, or be payable at the chief office in Toronto or elsewhere.

The effect of this rule is to facilitate the use of wholly stamped endorsements, not only by the depositing or presenting bank, but by others who may previously have endorsed the item. The Act of last session has made this possible. The wholly stamped endorsement of the depositing or presenting bank is by this rule made for all purposes a binding endorsement. If any of the antecedent stamped endorsements turn out to be unauthorized, the paying bank would, under the Act of last session, be entitled to recover the money from the receiving bank, not only because it had received it, but also because it would be an endorser of the item. The depositing bank would in its turn be entitled to recover the amount from an antecedent endorser subsequent to the unauthorized stamped endorsement. For this reason it would not be necessary to have the depositing or presenting bank specially guarantee a regular stamped endorsement.

VI. REGULAR ENDORSEMENTS WHICH ARE WHOLLY STAMPED

6. If a bill, note or cheque, bearing one or more wholly stamped endorsements which are regular in form, be so deposited or presented, no objection to the endorsement being wholly stamped shall be taken, except for special reasons which are to be assigned with the objection.

Cases may arise where, for special reasons not necessarily connected with the endorsement itself, it would be proper to object to a wholly stamped endorsement even though regular in form, and to allow such objections to be made the exception at the concluding part of this rule has been inserted.

VII. RESTRICTIVELY ENDORSED ITEMS

7. If a bill, note or cheque bearing a restrictive endorsement be so deposited or presented, the depositing or presenting bank shall *ipso facto*, and by virtue of these Conventions and Rules, be deemed to have guaranteed such endorsement in accordance with section 4 hereof, and shall be liable to the paying bank to the same extent as if such guarantee had been actually placed upon the item, but payment may, notwithstanding, be refused until the restriction be removed.

The reason for this rule has been already explained.

VIII. IRREGULARLY ENDORSED ITEMS

8. If a bill, note or cheque, bearing an irregular endorsement as above defined, be so deposited or presented, the depositing or presenting bank shall endorse thereon the guarantee referred to in section 4 hereof, but payment may, notwithstanding, be refused until the irregularity be removed.

It will be remembered that the definition of an irregular endorsement excluded a restrictive endorsement. It will therefore be necessary for the depositing or presenting bank to endorse the guarantee upon the bill in cases of irregular endorsements other than restrictive endorsements.

The above rules would seem to cover all the cases arising under bills, notes and cheques, which are negotiable instruments and to which the provisions of the Bills of Exchange Act apply. There are, however, other items, not negotiable in law, but which are transferred from hand to hand and which are practically treated as negotiable. I refer to letters of credit, deposit receipts, &c. They form a class by themselves, and require a special rule. The one suggested is as follows:—

IX. LETTERS OF CREDIT, DEPOSIT RECEIPTS, ETC.

9. When a letter of credit, deposit receipt, or other item not negotiable, and to which the provisions of the Bills of Exchange Act do not apply, is so deposited or presented, a receipt and indemnity in the following form, or to the like effect, shall be written or stamped thereon, signed by an authorized officer of the presenting or depositing bank, viz:—

"Received amount of within from the within named bank, which is hereby indemnified against all claims hereunder by any person."

The reason for this special form of receipt and indemnity will be apparent to all bankers.

The following concluding rule or agreement as to the practice to be pursued is suggested, with a view of leading the customers of banks and the public generally to adopt a regular and uniform system with respect to endorsements:—

X. AGREEMENT AS TO PRACTICE

10. While it is understood that in general, for convenience of the depositing or presenting bank, no objection will be made to a restrictive endorsement, or to an irregular endorsement if the guarantee above provided for be given, yet in view of the responsibility which a depositing or presenting bank incurs in connection therewith, each bank undertakes to make all reasonable efforts to have all endorsements on items deposited or presented by it made regular in order that its customers and the public generally may ultimately be led to adopt a regular and uniform system.

Z. A. LASH

September, 1897

PRIZE ESSAY COMPETITION 1897

THE results of the Essay Competition for 1897 were announced at the annual meeting of the Association, as follows:

SENIOR COMPETITION

Point out what constitutes unwise competition between banks; and describe the effect of outside competition, on the part of Government, Loan Companies, Express Companies, and financial corporations generally, and suggest remedies.

First Prize.—D. M. Stewart, Canadian Bank of Commerce, Montreal.

Second Prize.—H. M. P. Eckardt, Merchants Bank of Canada, Winnipeg.

JUNIOR COMPETITION

State comprehensively the duties and responsibilities connected with the Bill Department of a Bank, including those relating to

1. *Discount Department*
2. *Collection Department*
3. *Foreign Exchange Department*

First Prize.—F. M. Black, Bank of British Columbia, Vancouver.

Second Prize.—C. M. Wrenshall, Merchants Bank of Canada, Kingston.

WHAT CONSTITUTES UNWISE COMPETITION BETWEEN BANKS—THE EFFECT OF OUTSIDE COMPETITION ON THE PART OF GOVERNMENT, LOAN COMPANIES, EXPRESS COMPANIES, AND FINANCIAL CORPORATIONS GENERALLY, WITH SUGGESTED REMEDIES

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

I. COMPETITION BETWEEN BANKS

WHEN wisely employed, competition is the life of trade, and when unwisely employed, it may fairly be said to be the death of it. It is not easy, however, to demonstrate precisely when this concomitant of business becomes unwise, for we all fail to "see ourselves as others see us," and until the standard of human nature has been exalted above its present level, there will probably always exist a difference of individual opinion on the subject. The struggle which produces competition between banks represents in many cases a conflict between individuals, each eager for the attainment of personal success, and all controlled by conditions peculiar to their environment. These influences—ever varying—are often sufficient to render the terms "wise" and "unwise" perfectly interchangeable, according to the circumstances governing the localities in which it is found necessary to apply them. Such factors must be taken into consideration in the intelligent discussion of a subject like the present, as they obviously make it impossible to point out what constitutes unwise competition between one bank and another at any particular point. We will therefore endeavor to indicate so far as we are able, only such forms of competition as seem to us injurious to banks in general, and leave it to that priceless inheritance, common sense, to point out to bankers generally what constitutes proper discrimination under the diversified conditions in which they

happen to be situated. In this endeavor, we shall confine ourselves to existing evils, and refrain from reference to anything not based on actual experience.

Interference with the established connection of other institutions is mischievous. Whenever an old customer takes his account to another bank, it is reasonably safe to assume that—other things being equal—he has obtained some undue concession from the latter. We shall see later the folly of making such concessions, especially in these days when the margin of profit on ordinary business is gradually decreasing.

With many a discount customer, a change of banker means a change of methods and ideas. When he becomes conscious of the removal of strictures imposed upon him by his former banker, who recognized his weak, as well as his strong, points, he is often led to take advantage of the opportunity to seek increased banking facilities, to operate in a bolder manner, or to promulgate ideas hitherto restrained. It takes time and experience to learn how to handle such a customer, and he may have overstepped the mark of prudence and already gone too far upon the downward path before his new banker has realized any necessity for "applying the brakes."

It sometimes happens that after a customer has met with some success in his business—which may be attributable in no small way to his banker—he becomes imbued with the idea that he can do a much larger trade and be proportionately successful, and expects the bank to supply the necessary capital. The banker, who has watched the business grow and prosper, knows what is good for his customer better than he does himself, and understands to what extent his banking facilities may with safety be extended. He will not tolerate expansion, however, but the attempt to check it often only creates strained relations, and one of the evils of competition is that such men experience no trouble in getting their accounts taken up and the facilities they ask for granted by other banks. The force of this has been seen from time to time as bank failures have occurred, and probably never more conspicuously than after the last bank suspension, when the published liabilities of merchants who came down with it simply appalled those bankers who had formerly had their accounts.

Conversely, when a merchant, through no fault of his own, commences to go behind in his business, his banker is the first to notice it, and if he sees no possibility of ultimate escape from failure, facilities are not lacking for palming off the account on another bank. Were it not for this, a quiet liquidation might ensue and the business be wound up without loss to the bank or anyone else.

A proper investigation of the causes which lead business men to take their accounts from one bank to another would reveal facts which, under existing methods of competition, remain undisclosed, and would redound to the benefit of both the banks and their customers.

Another evil of unwise competition, and one which is detrimental not only to the banks themselves, but to the whole mercantile community, is the facility with which customers who decline to submit statements of their affairs can get their accounts taken up. There is scarcely a bank without some customers who have never given them a statement, and who if asked for one would immediately take their business to an institution where such information was not required of them. Every man who is obliged to borrow money from a bank for his business needs ought to submit a statement of his affairs, and should not obtain bank accommodation until he has proven in this way that he is entitled to it, but it is done every day, and fear of losing its business keeps many a bank from demanding information to which it is justly entitled. Thomas Bullion says if he were asked on what grounds he claimed for banks exclusively such a privilege, he would answer that, in the first place, "the profits of banks are greatly less than those of other traders," and in the second place, "were it customary for banks to insist upon being thoroughly acquainted with the actual position of a trading party . . protection would be insured to his creditors at large." *

The limits of this paper preclude the possibility of going very far into the details of this subject, but it has such an important bearing upon the vital question of profits (which is synonymous with competition), that we are constrained to make more than a passing reference to it.

**Bullion on Banking*, p. 55.

Mr. James G. Cannon, Vice-President of the Fourth National Bank, New York, in an address delivered before the New York State Bankers' Association in July, 1896, said: "I desire "to call your attention to thirty-five failures in which the bankers "of New York City have been particularly interested, and which "occurred during the first six months of 1896. . . As closely "as can be learned, the direct liabilities of thirty-four of these "concerns amounted to $13,984,000, and the contingent liabili- "ities of seven of them footed up $1,221,000, making a grand "total of direct and contingent liabilities of $15,205,000. Ten "of the concerns refused to make statements; three made "general representations without going into details, and twenty- "two gave detailed exhibits.

"A careful analysis of the twenty-two concerns that gave "details, supplemented by searching investigations, disclosed "the fact that seventeen of them, or more than 77%, were not in "a position to deserve credit. Of the thirty-five concerns in "question, *twenty-seven either refused to make statements, or, in "giving them, revealed their financial weakness.*" (Italics ours).

This is a powerful argument in favor of procuring customers' statements, and is doubtless applicable elsewhere than in New York City, but, as *Bullion* says, "It would hardly "answer for the Manager of the 'Union' to become suddenly "solicitous as to the affairs of his customers, while the Mana- "ger of the 'Alliance' continues all-confident and indifferent "upon the subject—otherwise there would soon be a very "general transfer of accounts from one bank to another.*" If not from higher motives, we think the banks, as a matter of self-interest, should endeavor to effect a reform in this connection, and to this end we would suggest the adoption of the *Uniform Statement* system (of which Mr. Cannon is also the author), now effectively employed by every "group" of banks composing the New York State Bankers' Association. Under this system, applicants for discounts must furnish a statement of their affairs on the forms approved by the Association, which are supplied to every member, thus placing all banks, members of the Association, on an equal footing, and

**Bullion on Banking*, p. 54.

leaving would-be discount customers no alternative in the matter. The acceptance or refusal of an account after a statement has been submitted is, of course, a matter of judgment, and apt to vary with different banks. The adoption of this system by Canadian banks would result in the prevention of many losses through bad debts and in the protection of worthy customers from the unfair competition of men who with insufficient capital now successfully compete with them.

Turning now to competition for deposits—other things being equal, there is but one way to obtain this class of business from a rival bank, and that is, by paying a higher rate of interest, the folly of which is manifest, as other banks in self-defence are obliged to follow suit, whether there is an increased demand for money or not. Of course, if money is scarce, an advance in the interest rate is not felt so much, but when it becomes plentiful, each bank naturally hesitates to make the first move towards a reduction, and the result is that the public get the benefit of a high rate both before and after the conditions of the market warrant it.

The remedy we would suggest for this is the cessation of isolated action. When there is a demand for money, all the banks feel it pretty much alike, and if, after consultation, it is thought wise to raise the rate, the advance should be uniform and general.

We have endeavored to point out what we consider unwise competition so far as discount and deposit business—the two great departments of banking—are concerned, and will now take up the vexed question of collections, in connection with which there are probably more errors committed than in all the other departments combined. Under this head, we include all items which pass through a bank's bill department—excepting foreign exchange.

It is fair to assume that in proportion to the number of a bank's branches are its facilities for making collections, yet it is a fact that there are banks with comparatively few branches successfully competing with their better equipped neighbors, and who collect for their customers items payable at places where they have no branches at the rates charged by banks maintaining offices at such points. It is evident that this can be done only

by means of some collection arrangement with another bank, and it is equally evident that the service is performed at a loss, if that arrangement is anything like reciprocal. This opens up the whole question of "Minor Profits," which has been before the Council of the Canadian Bankers' Association for some time. It is beyond the scope of this paper to go into details as to the cost of collecting such items as cheques, sight and demand drafts, notes, etc., but we believe that if some of our banks were to carefully investigate the matter, they would be surprised to find that they were doing business at an actual loss, after making allowance for interest, labor, postage and risk. Competition that induces us to do an unremunerative business is bad enough, but when it impels us to operate at a loss, "unwise" is not sufficiently descriptive.

The evils which exist in this connection could best be remedied, we think, by the cancellation of all reciprocal arrangements. At first sight this might seem to be a blow aimed at the smaller banks, but a little reflection will prove the fallacy of such an idea, as there could be no injustice in placing all banks on the same footing. However, we do not all sufficiently understand one another yet, and this radical proposition would be impracticable at present, and we therefore suggest as an alternative the adoption of a uniform schedule of minimum rates for customers, to be arrived at after a careful study of the average cost of collecting the different classes of items mentioned. Under such an arrangement, the rate charged by the collecting bank should not be allowed the customer of the bank from whom the item was received. This would insure a compensation to all and effectually stop the abuses of the system which now exist.

Another and very insidious form of competition is displayed in quoting for Sterling, New York and other exchange. It is not an uncommon practice for some banks to quote above the market for the exchange of customers of other institutions; and they have even been known to ask them by telephone if they had any exchange to sell, and then quote them the rates for bankers' bills. We can only characterize such methods as inconsistent with proper banking ideals, but it is not so easy to suggest a remedy. Retaliation would probably prove effective, but the propriety of this resort is doubtful. A complaint to

headquarters would probably be more salutary. Remedies of this nature are more fully referred to in a succeeding paragraph.

The endeavor to increase a bank's circulation sometimes leads to the adoption of very unwise methods. The encashment of cheques and drafts on other banks at par is only one of the means employed, but there are many subterfuges resorted to, especially in country districts, of which the following is a sample:—

It was the custom of an American cattle-buyer to periodically visit a certain Ontario town and get large drafts exchanged for bank bills, which he took into the country and circulated among the farmers and others from whom he purchased cattle, and he had become a regular customer of one bank, although there were others in the town. The manager of a rival institution conceived the idea of procuring this business for himself by accommodating the American in a matter of some importance to him, namely, the payment of his drafts at an early hour in the morning. Learning that the man was to be in town on a certain day, this banker went over to the hotel the evening before, and handed a bundle of his bank's circulation to the proprietor, saying that he would get it next morning, as he wished to pay it out to Mr. ——— as soon as he came up from the train, (about 6.30) and thus save him waiting until 10 o'clock for the other bank to open. This was rather petty banking, but it did not go unrewarded, for the hotel was burned up in the night, and likewise the circulation. The lesson has its moral, as the bank which first established the cattle-buyer's connection retains it still. The drastic remedy suggested by this incident we cannot, of course, recommend, and the only other we can think of lies in the elevation of human nature, to which we have already alluded.

The opening of branch banks in towns where there are already ample banking facilities is a phase of unwise competition to which we only refer in order to comply to the fullest possible extent with the requirements of the question submitted. It is one with which the chief executives are more familiar than we, and for this reason also we feel some diffidence about suggesting remedies. We are probably in order, however, in

saying that when a branch does not pay, directly or indirectly, it should be closed, even if it has succeeded in obtaining more than its quota of business at the expense of its rivals. The establishment of such offices, however, without proper regard to the rights of others, can only engender ill-feeling and distrust, which serve no good purpose in banking.

Many of the evils of competition between banks could be remedied, we think, by proper co-operation of the general managers. We all know how extensive and powerful is their influence, and how the "policy" formulated at the head office is carried out, even to the remotest branch. Without going into details, the effect of this influence may be practically illustrated by the following incident, which occurred not long since:—A large and wealthy concern in a western city asked their bankers for a reduction of 1% in their discount rate, but as this was already quite fair, the request was denied, whereupon the firm immediately went across the street and offered their entire business to another bank. The representative of the latter, however, refused to take up the account, except on the terms then in existence with the firm's own bankers, for the reason that "it "was the express wish (policy) of his general manager that no "business was to be taken from other banks at 'cut rates.'"

The points at which the head offices are situated are few in number compared to those at which bank competition exists, and we believe that if complaints of unfair dealing were made to headquarters by branch managers, many differences could be amicably and satisfactorily adjusted, as their respective general managers, being removed from local influences, could weigh the "casus belli" on its merits, and come to a proper decision in the matter.

II. OUTSIDE COMPETITION

The question of outside competition is one which deserves careful consideration and diplomatic treatment, as its existence is in a measure attributable to the banks themselves, as well as to an imperfect comprehension of banking methods, etc., by the general public. The decennial discussions on the bank charters sometimes painfully remind us of the latter, when the

people speak through their representatives in parliament. The remedy for all this lies chiefly in the education of the people to a better understanding of the security, facilities, etc., afforded by our banking system on the one side, and by the adaptation of the banks to the more minor requirements of the people, on the other.

The first "outsider" we have to deal with is no less a functionary than the Dominion Government, and it competes with the banks in two ways, viz.:

(a) In obtaining deposits, and (b) transmitting money.

These functions the Government performs on the pretext that they benefit the people, but even if this were true, which, strictly speaking, it is not, the action is unjustifiable on the simple ground of discrimination, for it is a significant fact that in no other line of business is the Government a wilful competitor. Occasionally it seeks to "benefit the people" in other ways, as, for instance, by manufacturing binder twine, but the attempt is no sooner made than a cry goes up from the working classes and this competition ceases, but the cry of the bankers of the country against the exorbitant rate of interest allowed by the Government has for years gone up unheeded. Why should the Government make distinctions between one class of the community and another?

The question of Government competition with joint-stock banks has for some time past received considerable attention in England, and the following comparison of the most salient points of the British and Canadian systems will be interesting:

	England	Canada
Total amount on which interest is paid (£200), say	$1,000	$3,000
Annual limit for ordinary deposits (£50), say	250	1,000
Rate of interest allowed	2½%	3½%*

The best, and in fact the only real reason either Government can adduce for the payment of interest at all on these deposits, is that it encourages thrift; this the *Bankers' Magazine* unhesitatingly says is "the only common sense view of the matter," and Sir Samuel Montagu, M.P., in a letter to the

*To be reduced to 3% on the 1st July, 1897.

London *Economist*, dated 1st February, 1897, states that "There can be no strong argument in favor of continuing to "pay 2½ per cent. on deposits in Postal Savings Banks exceeding £50 or £100. We can encourage thrift by allowing this "*high* rate (italics ours) on small deposits, but not on sums "over £50, or if we are to be *very generous* (italics ours) we "might reduce the interest to 2 per cent. on accounts over "£100." In 1894, when the maximum amount to be deposited in one year was increased by the Imperial Government from £30 to £50, the average amount of each deposit rose to £2, 15s. 6d. from £2 10s. 1d. the previous year. "Thus," says the *Bankers' Magazine*, "the official report confirms the opinion "which bankers have always held—that the enlargement of the "limit of the annual amount of deposits would not be to the "advantage of the working classes, few members of which can "have afforded the amounts thus paid in, but that the privilege "granted would be employed to the use of other classes, "and would enable the Post Office to compete more sharply "with the banks of the United Kingdom generally." The editor of the *London Times* (which has always advocated thrift in the people) writing on this subject says:—"The majority of "those for whose benefit the (Postal) Savings Banks were "devised would keep up their deposits even if less than "2 *per cent.* (italics ours) was allowed on them. It is absolute "security, not income, that is the primary consideration with "them." If under such circumstances other classes than those for whom the Government Savings Banks were devised reap the benefits of this system in England, how infinitely more true must this be in Canada, where the conditions for it are so much more favorable! Persons who can deposit $1,000 a year cannot be said to require from the Government any paternal encouragement to thrift.

The Government and Post Office Savings Bank deposits have grown from $1,422,046 in 1867 to $47,747,166 on 31st March, 1897, and 3½% interest has been allowed ever since 1st October, 1889, without any regard whatever to the conditions of the money market or the effect upon the deposits of the chartered banks. This has not only been an injustice to the latter, but a loss to the public and a tax on the business com-

munity, as the Government's action compelled the banks to pay more for their own deposits than they were worth, and to save themselves from pecuniary loss, in many cases adjusted the mercantile discount rate accordingly. Were we sure that the increase of $46,000,000 in the Government and Post Office Savings Banks above referred to represented the savings of the working classes and others who do not ordinarily patronize the chartered banks, we would not be so strongly disposed to object to the rate of interest perhaps, but we believe that this sum represents a good proportion of the deposits of banks who found it impossible to compete with the prestige of the Government and its seductive rate.

Another evil arising from the payment of a high rate of interest by the Government is the creation of an impression prejudicial to the chartered banks in the minds of a certain section of the community, who ask the question, not unnaturally, "If the Government allows 3½%, why cannot the banks do so?" The question ought to be "If the banks can only pay 3% how can the Government afford to pay 3½?"*

Again, it abolishes competition upon equal terms, by arrogating to itself the power to do a banking business upon principles very different from those enjoined upon the banks. The latter are obliged to invest their funds in assets immediately available; they also keep large cash reserves in addition, (not less than 40% of which the Government requires to be held *in its own notes*) while the Government does neither. The balances of depositors with the Government form part of the unfunded debt of the Dominion, and the policy of borrowing in this manner is open to serious criticism.

The balances of depositors in the Postal Savings Banks of England are invested in the consols, and owing to the high price of the latter, and the "high" rate paid for the deposits, this department was conducted at a loss of £30,000 last year. The amount was brought down in the supplementary estimates, and in speaking on the matter, the Chancellor of the Exchequer stated that the Government were paying depositors "a higher "rate of interest for their money than that money could really

*This was of course written before the reduction to 3% was made.

"earn." He admitted that these banks were of the greatest service to the community, but that "it was not necessary to "their value that they should pay more than they could earn." A perusal of the Blue Books fails to discover whether or not this department has been profitable to the Canadian Government, but it is certain they have been paying more for the money than it was worth, and could have borrowed it cheaper in London. The loan of 1892 cost only 3.43%, and that of 1895 but 3½%, while deposits (as on 30th June, 1896) seem to have cost, including expenses of management, 3.61%.*

The average balance at credit of each depositor in both departments of the Government Savings Banks on 30th June, 1895, was $253.19. Interest on this at 3½% would be $8.85 a year, or about 74 cents per month; at 2½% the interest would amount to $6.32 a year, or 52 cents per month. For such trifling differences it is quite improbable that a reduction of even 1% in the present rate (3½%), would seriously affect the deposits of the operative classes and those for whom these savings banks are supposed to exist, or that it would in any way affect their propensities to thrift. In view of this, and of the absolute security it affords, the payment by the Government of a higher rate than 2% or 2½% is unjustifiable, and especially when we take into consideration the stability of the chartered banks and the abundant facilities which they afford to the money saving public. The only remedy we can suggest for this competition lies in the education of the people and their representatives at Ottawa to a proper comprehension of the banks and a better understanding of the functions of the Government.

In addition to competing for deposits, the Government usurps another of the principal functions of banking, namely, the transmission of money, or in other words, the issue of bills of exchange. What this adjunct to the Post Office Savings Bank can have to do with the encouragement of thrift we fail to see.

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*Since this article was written the highly successful floating of the £2,000,000 2½% loan has taken place, on a basis of less than 2¾%, which, in the writer's opinion, is a strong added reason for a reduction of the rate allowed by the Government on deposits to 2½%.

The growth of the Government money order business has been enormous, having risen steadily from a total amount of orders issued in 1868 of $3,352,881.40 to $13,187,321.66 on 30th June, 1895—the date of the latest returns available. The amount issued payable in Canada has risen in the period mentioned from $2,959,762.80 to $10,736,647.43, but if these orders have been a convenience to Canadians they have certainly had to pay well for it, as the minimum rate has been one-half of one per cent., a charge which no chartered bank would make for a draft payable in Canada. The present Postmaster General, however, has just prepared a new schedule of rates, to take effect on the 1st April, 1897, which are much more reasonable than the old rates, and are evidently intended to meet the charges made for such business by the express companies. The following is a comparison of the new Government rates and those of the express companies for money orders payable in Canada :—

						Government	Express Companies
On orders up to					$ 2 50	3 cents	5 cents
"	"	over $2 50	and up to		5 00	4 "	5 "
"	"	" 5 00	"		10 00	6 "	8 "
"	"	" 10 00	"		20 00	10 "	10 "
"	"	" 20 00	"		30 00	12 "	12 "
"	"	" 30 00	"		40 00	15 "	15 "
"	"	" 40 00	"		50 00	20 "	18 "
"	"	" 50 00	"		60 00	24 "	20 "
"	"	" 60 00	"		70 00	28 "	.. "
"	"	" 60 00	"		75 00	.. "	25 "
"	"	" 70 00	"		80 00	32 "	.. "
"	"	" 80 00	"		90 00	36 "	.. "
"	"	" 75 00	"		100 00	.. "	30 "
"	"	" 90 00	"		100 00	40 "	.. "

The Government limits the issue of money orders payable to any one person at any one place on the same day to $100. The express companies charge for orders over $100 at the same rate quoted above. The Government's rate for orders payable in the United Kingdom, United States and all other places upon which money orders may be drawn, is 1 per cent., and the limit $50. The express companies' charges are the same for all orders.

It is evident that this form of Government competition has come to stay, and the banks may as well prepare to meet it,

and to do so we would suggest the adoption of a uniform draft payable at par at any chartered bank in Canada, such as is more fully described under our next heading.

EXPRESS COMPANIES

The question submitted takes for granted the existence of competition with banks on the part of the express companies, and we are only asked to point out its effect, but we think there are very few bankers who have any fair idea of the magnitude of this competition, and as we have gone very thoroughly into the matter, we think it well to give the benefit of at least some of our investigations, even at the risk of digression from the strict requirements of the question. We would also say that our information is about as reliable as it is possible to obtain, and where figures are quoted, they have been supplied by persons whose positions entitle them to credence.

Mr. Edwin Goodall, of Newark, N.J., claims to be able to demonstrate the growth of the express money order business "without resort to guessing." He writes that "the Adams "Express Company issued their first order in January, 1893. "At the end of that year they had issued 408,942 and paid "401,841. The difference resulted in the permanent acquisi- "tion of an unpaid balance of no less than $57,874. The "gross profits from this company's first year's business were "$32,000.11."

In 1890, according to the official report of express orders issued in the United States, these amounted, says the *American Banker*, to 4,598,670, or about $45,000,000. There were then but six express companies; there are now sixteen in Canada and the United States, and in an article written for the *Express Gazette*, by the president of the Adams Express Company in October, 1896, it was stated that the number of orders sold annually by all of the companies is now 7,000,000. Mr. Charles R. Hannan, who has been chairman of committees appointed by different Bankers' Associations in the United States to look into this matter, writes as follows: "From statistics, it is "estimated that the total amount of orders issued by all the "express companies from the time they commenced orders up "to the present (June, 1896) is seventy-five millions," repre-

senting the enormous total of $750,000,000. The business has been steadily growing, and has now extended to the issue of travellers' cheques for use in foreign countries, which have already become extremely popular; and the yearly total issue of both classes of orders in the United States and Canada now amounts to $100,000,000.

After careful investigation, we estimate that not less than $12,000,000 of express money orders are annually issued in Canada. Mr. Charles L. Loop, of the Southern Express Company, states that the average amount of an express order is $10, and the average profit 8 cents. Upon this basis the Canadian business would represent an annual profit of $96,000, which, if divided up between the banks, would yield about $2,600 to every chartered bank in the Dominion.

In justification of the exercise of this privilege by the express companies there is absolutely nothing to be said; it is simply illegal. They receive deposits and issue receipts against them, and thus perform a function of banking without being in any way amenable to the law governing banks. The claim of the companies is that they are adhering strictly to the legitimate limits of their business in selling money orders, as this is equivalent to the transmission of money in "unsealed packages." Anyone familiar with the business, however, knows that they do not remit the actual cash to meet the orders issued; and if it were not for the assistance rendered by the banks, there would frequently be considerable delay in cashing them.

The question for us to consider, however, is the popularity of these money orders, for popular they are, whether we will or no; the answer is—the use of printer's ink. There are no better advertisers than the express companies, and by this means they have educated the public and thoroughly familiarized them with the *modus operandi* of their money orders, until people have come to accept the broadcast statements that this is "the only system furnishing purchasers a receipt," and that it constitutes "the best and cheapest medium for sending money "by mail to any place in the world." These claims, though obviously false, we have seen backed up even by a leading insurance company, with whose notices to policy-holders were enclosed printed slips furnished by an express company. These slips contained the usual express money order "ad.,"

with the natural inference that the insurance company preferred to receive remittances in this way. The best feature of these orders, as compared with bank drafts, is probably that there are "no blanks to fill out." In this they have a distinct advantage, for it means that there is no trouble or delay about getting an order, whereas under the cumbrous method in vogue with the banks, a draft passes through the hands of at least four different officers before it is ready for the customer, and it is within the mark to say that the operation consumes five minutes. Another advantage possessed by the express companies is that their orders pass everywhere, and are paid without charge by banks all over the country. It certainly seems incongruous that one bank should charge for cashing another bank's drafts, while it cheerfully pays at par those of the express companies. These companies have no exclusive advantages over the banks, however, and as the money order business is growing in importance, it is to our mutual interest to meet this competition squarely. This the writer thinks can be successfully done by the adoption of the following system, which we may say is working admirably in many parts of the United States :—

A uniform draft to be used by all the banks, somewhat after the style of the following specimen :

*Teller.

*THE CANADIAN BANKERS' ASSOCIATION

*RECIPROCAL DRAFT

*No.

*Negotiable without charge by any Chartered Bank in Canada. Not good for more than One hundred Dollars.

†28th April, 1897.

*$

*Pay to.....*or order.

.....*Dollars.

*To

†J. C. McKeggie & Co., †Stayner, Ont.

†BANK OF MONTREAL, †Victoria, B.C.

*Or

*Any Chartered Bank in Canada.

*†Manager.

*Countersigned

*Printed.

†Written, or rubber stamped.

Drafts not to exceed one hundred dollars. (The great bulk of the express money orders are for amounts under $100.)

Drafts to be paid at par by all chartered banks and private bankers, as provided below.

The charge for drafts to be uniform, say
On amounts up to $50.....15c
" " over $50.....25c

(By comparing these rates with the schedules on page 15 it will be seen that they meet both the Government and the express companies).

Commission to be collected by the issuing bank.

Advice of drafts to be dispensed with, except when the total amount issued in any one day on any one bank exceeds, say $500.

The paying bank to take the ordinary precautions as to endorsements, identification, etc.

The paying bank to forward the paid drafts to Montreal or Toronto, or to any point specially designated by the issuing bank, which might be done by means of a rubber stamp impressed on the back of the draft.

A uniform charge of say $\frac{1}{8}\%$, with a minimum of 10c, to be made by all banks and bankers for cashing express money orders.

(When paid by banks, this would make the cost of the lowest express money order issued equal to the cost of any reciprocal bank draft under $50, and effectually meet the companies.)

All blank drafts to be obtained through the Secretary of the Canadian Bankers' Association, and to be supplied at cost price. (This suggestion is made partly with a view to economy, and also to meet the requirements of private bankers and others, with whom it might be necessary to supply forms at points where there were no branches of chartered banks.)

To further meet the express companies, we would suggest that the manager sign a number of the draft forms and hand them to the teller, who would then only have to fill in the particulars and countersign it when applied to for a draft, thus avoiding any unnecessary delay. The blank forms in the teller's hands would of course be treated as cash and checked daily in the usual way.

As regards commission, we think the issuing bank should be entitled to this, though an arrangement might be made to divide it with the paying bank. However, under the proposed system the issue and payment of these drafts should be proportionate, as the smaller banks would issue and pay fewer drafts than the larger ones, and *vice versa*. In any event, the banks under this arrangement would only be doing for one another what they now do for an aggressive competitor.

LOAN COMPANIES, ETC.

The business of land mortgage companies, etc., in Canada is confined chiefly to the province of Ontario, where it has flourished and indeed attained a high degree of perfection, and when the companies adhere strictly to the business for which they are really intended, they in no way adversely affect the interests of the chartered banks. The latter are very properly prohibited from making loans on real property, and do not interfere with the legitimate functions of land mortgage companies, building societies, etc., but the restrictions of the Bank Act in this respect are manifestly unfair when compared with the *Acts* (for there are several) governing these companies in regard to deposits. Writing on this subject, Mr. B. E. Walker says,—*" The weakest feature is the permission to many " companies to accept deposits which are practically repayable " on demand. It must be clear that if a commercial bank, whose " deposits are repayable on demand or at short notice, is " restrained by law from lending on real property, a company " lending on real property should be restrained from accepting " deposits repayable on demand."

The following statement† shows the growth in the business of these companies during the past quarter of a century:

ASSETS

Year	Loans on Real Estate	Total Loans	Total Assets
1874	$15,041,858	$15,469,823	$16,229,407
1884	74,115,136	77,267,357	87,606,680
1894	116,810,578	121,692,979	142,313,349

**History of Banking in all Nations*, vol. III., p. 481.
†*Statistical Year Book of Canada*, 1895.

LIABILITIES

Year	Deposits	Debentures	Total Liabilities
1874	$ 4,614,812	$ 19,992	$16,229,407
1884	13,876,515	32,268,367	87,819,437
1894	20,782,944	57,541,710	141,523,231

These figures would also appear to indicate that deposits are decreasing, while the companies' debentures are increasing, and Mr. Walker says public opinion is in a measure responsible for this, and that "many companies have, as a matter of policy "and wisdom, withdrawn from acquiring deposits, except in "exchange for time debentures."

The laxity of loan companies as compared with the chartered banks, in the important matter of cash reserves is also worth noticing. Apart altogether from the large reserves of the banks, represented by call loans in Canada and New York, convertible into cash at an hour's notice, Mr. Walker states that "the "average for some years of *actual cash held in gold and legal* "*tenders* (italics ours) as against all liabilities to the public, is "about ten per cent."* Mr. Massey Morris, in his article on "Land Mortgage Companies, etc.,"† states that "the "returns of 1893 (to the Dominion Government) comprises "82 companies, 23 of which do not receive deposits at all. Of "the 59 that do, 24, showing an aggregate of $8,619,243 in "deposits, held in cash and municipal debentures $332,268, or "less than 4 per cent. Grouping these 24 companies so as to "show more clearly how the above average is made up, gives "the following interesting result:—

No of Companies	Aggregate of Deposits	Amount of Reserve	Percentage
6	$1,073,554	$ 2,257	¼ of 1%
4	888,673	7,914	1%
7	2,517,518	55,416	2¼%
3	2,700,050	138,920	5%
3	1,309,800	112,942	9¼%
1	129,648	14,819	11%
24	$8,619,243	$332,268	4%

"While it may be quite true that the investments made by

**History of Banking in All Nations*, vol, III., p. 466.

†*Journal of the Canadian Bankers' Association*, vol. III., pp. 227-263.

"the above companies are eminently sound and judicious so far "as their ultimate safety is concerned, there can be no "doubt that by grossly neglecting so vital a point as the "maintenance of a proper reserve, the companies not only "endanger their own credit, but also run the risk, should diffi- "culty overtake them, of discrediting the whole loan company "system of Canada."

The remedy for this competition is chiefly public opinion, which, as Mr. Walker says, is having a beneficial effect. This factor could be made still more effective by bringing into prominence such facts as we have above alluded to, and which are so fully presented by Mr. Morris in the article quoted.

Before concluding our remarks on this topic, we may add that a curtailment by their bankers of the privileges enjoyed by such loan companies and building societies as are persistently aggressive competitors of the banks, would go far towards remedying this evil.

PRIVATE BANKERS

The last competitor with which we shall deal is the private banker. To what extent this competition exists it is impossible to say, as there are no statistics available; no public statements are required, and no system of Government supervision is in force. All we can learn with any degree of certainty is that there are to-day about 192 private bankers doing business in Canada, of whom 80 are established at points too small to support an office of a chartered bank. In these places they are probably a local convenience, but at all others they are simply an offshoot of the chartered banks, without whom they could scarcely exist. In the light of recent events, not to say past experience, the private bankers have rather our sympathy than censure. We are disposed to "live and let live," and as the tendency of the times is not favorable towards them, the chartered banks have little to fear from this source. Incidentally, we might mention that the co-operation of the private bankers throughout the Dominion with the chartered banks in

the matter of express money orders, referred to in the foregoing pages, would serve to increase the harmony existing between them, and be mutually advantageous.

CONCLUSION

To sum up, competition in every line of business is becoming keener, and the struggle for existence means to-day, more than ever before, "the survival of the fittest." The remedy this progressive age suggests for the preservation of those engaged in identical pursuits, is Combination; the whole tendency of our generation is towards that end, and it is time for the chartered banks of this country to co-operate for mutual advantage. There are banks enough in Canada at present to supply all the legitimate needs of the country for years to come. A prominent banker stated publicly last fall that we had too many banks; but whether this be true or not, it is plain that if we wish to maintain even an existence individually, we must adopt modern methods and accommodate ourselves to the altered conditions of the times. It is only the strongest of the strong that can glory in "splendid isolation;" any other must inevitably succumb; in combination lies the hope of the weak and the maintenance of the strong. What better argument could we have for the existence of the Canadian Bankers' Association? With this organization rests the power to terminate the unwise competition which now exists among ourselves; it has the power to protect us from the illegitimate competition of outsiders, and by unselfish co-operation and unanimity of purpose it will conserve the interests of the entire body of the chartered banks and promote the welfare of our beloved country.

D. M. STEWART

30th April, 1897.

THE DUTIES AND RESPONSIBILITIES CONNECTED WITH THE BILL DEPARTMENT

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

BILLS of exchange are said to have been first invented in the thirteenth century by fugitive Jews and Lombards, banished from France and England, to enable them to realize effects left behind in these countries. By some authorities their first use is traced to the Mogul Empire in China and even to the early Greeks. However that may be, the end of the fourteenth century saw them in general use in all commercial states of Europe for purposes of foreign commerce, but not until the reign of William and Mary would the courts of England consider an inland bill of exchange a legal instrument; nor till the days of Queen Anne could a promissory note in the hands of an endorsee be collected, by law, of the maker. What their latter day development has been is well summarized by John Stuart Mill when he says:—"By means of the various "instruments of credit the immense business of a country like "Great Britain is transacted with an amount of the precious "metals surprisingly small; many times smaller than is found "necessary in France or any other country in which these "'economizing expedients,' as they have been called, are not "practised to the same extent."

Uniformity in their features and provisions has been purchased by countless litigants in the courts of law, from the decisions of which certain broad and essential characteristics have been laid down as belonging to true bills of exchange, together with the rights and duties of parties thereto. Comparatively recently these have been codified (for the British Empire) in the Imperial Bills of Exchange Act, which, with certain changes and modifications, the Dominion of Canada has

adopted. Into what is held to constitute a bill of exchange it is scarcely necessary to enter. Suffice it to say that the term "bills" usually includes drafts, accepted or unaccepted, promissory notes and even cheques.

Nothing has conduced more to the wide and ever-widening influence and adoption of bills of exchange than the establishments of banks. Wherever enterprise has opened the way for commerce, banks have followed, from motives of self-interest, perhaps, but with a most beneficial and encouraging effect upon trade. The connection has always been strongest on the side of bills, by the purchase of which on the part of the bank the trader is enabled to make his turn-over more quickly; while he is afforded facilities at all times for collecting his debts over the face of two hemispheres.

Hence arises the fact that every bank, no matter how small, possesses the rudiments of a bill department. It may not be dignified by the name, but the broad lines upon which that is conducted must be present. In all conditions of business activity increase of work tends to decentralization, and, as an institution grows, its departments tend to evolve more and more, as a matter of necessity. When, therefore, a bank of metropolitan rank is considered, the departments are found most clearly defined and even sub-divided. This is true, especially of the bill department, which conforms to the channels in which business is offered. and is usually sub-divided for the purpose of handing "discounts," collections," and "exchange."

It is not altogether easy to define "duty" and "responsibility" as applied to bank work, to distinguish between them or to decide where one ceases and the other begins. Etymologically, duty is that which is owed, responsibility that for which one must answer. Duty may be therefore regarded as the conscientious performance of "the daily round, the common task," the rendering of a certain amount of physical and mental energy and moral uprightness in return for position and salary. Responsibility, however, is much more subtle in nature, and usually presents itself when duty has been neglected. This is specially the case in the bill department where opportunities are constantly presented for serious error. Its

position is unique. To it the bank looks in largest measure for its profits; in it, chiefly, bad debts are made; from its administration—or lack of it—arise not infrequently troublesome lawsuits. The purpose of the present paper is therefore to enquire into what constitutes its proper administration—to study the various processes by which the best results are usually obtained.

Inasmuch as mind is always above matter there are certain essentials in looking toward the end already mentioned; which may be briefly cited as (1) clear intelligence; (2) a comprehensive grasp of the laws bearing upon bills of exchange and powers of a bank; (3) that ability for taking pains which has been called genius. To these must be added considerable tact, unvarying courtesy, and, that most difficult of all attainments, patience.

The bills familiar to a bank fall into the following classes:

(1) Bills drawn by producers or manufacturers upon wholesale dealers.

(2) Bills drawn by wholesale dealers upon retail dealers.

(3) Bills drawn by retail dealers upon consumers.

(4) Bills not arising out of trade but yet drawn against value, as rents, etc.

(5) Kites or accommodation bills.

Its situation in a producing or a distributing district will determine which class predominates. They pass into its hands "for discount" or "for collection" and are handled by the sub-divisions accordingly.

Ordinarily a bank advances money in two ways, first, by discounting bills of exchange and relying on the parties thereto for payment at maturity; second, by granting a loan and taking collateral security for the advance. The various operations represented in so doing constitute the work of the discount department.

All bills entering the department have been first passed by the manager, cashier or board of directors, who are responsible for the *quality* of the bill and are satisfied as to the reason of its existence. It may previously have been recorded in an

*(*Gilbart.*)

offering book, a system much in vogue where paper is only passed on intermittently. The discount clerk's responsibilities begin when the batch of acceptances, drafts or promissory notes is laid before him. He must be sure that each is properly drawn, scrutinizing its face for material alterations in amount, date, term or place where payable. Then he must examine the endorsements, satisfy himself that each is regular and continuous and that the customer's name appears last in order. The date of maturity is next placed on the face and the bill is ready to be passed through the books. The manner of doing so may best be illustrated by glancing at the methods of a large bill-broking house.

Two officers handle the same set of bills, arranged in order of maturities. One uses the departments register, containing space for full particulars of each bill—number, endorsers, acceptor, where payable, date, term, due date, amount, rate, days, discount—the other a schedule similarly ruled. After all the bills are entered the totals are agreed, then each calculates the days unexpired and the interest independently. These also are agreed. The credit for the proceeds is then passed to the customer's account, a credit to interest account for the discount, against a debit to bills discounted account for the total. The customer is then handed the schedule as his voucher. All endorsements in blank are then rendered special by making the bills payable to the institution "or order," the bills entered in the diaries, the entries checked, bills taken out and sorted away under date of maturity in the bill case by the head of the department.

A most important principle in bill work is here revealed—that everything involving calculation or the making of entries should pass under two pairs of eyes, thus reducing the risks of error to a minimum.

It is the practice of Canadian banks to forward at once for collection all discounted bills domiciled at other points, and usually consisting of unaccepted drafts, so that every bank will have a great deal of paper on its books which does not appear in actual possession. Not only should all this be entered in a proper Foreign Diary and an account kept to show the total amount of paper so remitted, but a slip reciting the main particu-

lars should also be prepared and initialed by the correspondence clerk or officer charged with the duty of forwarding the bills. This serves the purpose of a voucher for the missing bill, and with the suggested initials does away with any doubts as to the actual transmission of the bill. This also facilitates the duty of proving the total amount of bills discounted from the bill case, which is done periodically.

Where a bank is discounting unaccepted trade paper on distant points it must be prepared to find a goodly proportion of it come back dishonored through misunderstandings of various kinds. This must be charged back to the customer's account at once, in absence of any special arrangements made to cover such incidents by a customer whose standing is undoubted. The reasons for which dishonored bills are returned, as well as their number, are worth noting. They may be an index to an undesirable condition of affairs.

Loans are represented by notes bearing, usually, one name only, valuable for the most part as evidences of debt. They are divided by experience into two classes, "time" and "dead" loans. The former are granted for certain fixed periods, the latter are such as have run long past the date of maturity or have been granted for an indefinite period. They are entered in a register of their own, similar to that used for bills discounted, and also in the diary when a date is fixed for their maturity. Interest on "time" loans is deducted from the advance, on others it is calculated periodically and charged to the borrower's current account. All payments of interest, and all payments in reduction of principal must be indorsed on the notes.

The securities held as collateral against loans will vary largely, consisting chiefly of stocks and bonds, warehouse receipts, collateral bills and personal guarantees. With the exception of collateral bills these are not, strictly speaking, in charge of the bill department, but it is well to note them briefly in the register.

One of the most important books in the department is the liabilities ledger, posted daily from the records of discounts and loans already made, showing total liabilities to the bank of each

party as endorser and acceptor. Not infrequently it is kept in the manager's room that its pages may be at hand for instant reference.

Perhaps the gravest responsibility resting on an officer in charge of the discount department is that he is custodian of the resources of the bank. The bills represent investment and that in most fragile merchandise.

A lost or misplaced note may mean much trouble for the institution and himself. He is custodian also of the customer's credit, knowing exactly how much accommodation each requires to carry on business, and has therefore a great deal of confidence reposed in him by borrowers. It is unnecessary to point out in what light he should regard his position.

The object for which the collection department exists is twofold; first, to handle and collect such bills belonging to customers as are not eligible or are not required for discount; second to receive, collect, and remit for bills received from distant correspondents. The bank is not interested in anything passed through this department beyond receiving commission for its work, but nevertheless as a holder or agent for owners of bills its duties are clearly defined by law. For its motto the words "due diligence" or "delays are dangerous" might be chosen, as the test of promptness and attention is always applied when the action of the bank is called in question.

A great deal of energy is thus expected from an officer in charge of the collection department. The bills he meets with come from places throughout the length and breadth of the land, and represent every sort of commercial transaction, from a shipment of grain to a tailor's draft for an overdue account. In this way he has excellent opportunities for feeling the commercial pulse, as it were, of the local business community and of judging from the manner in which the various drafts are accepted and paid as to the standing of a great number of its component units. The bank's own customers will not be behindhand in furnishing him with work, and he will find ample exercise for memory and accuracy in methods in looking after the many interests of correspondents and customers. Per-

haps more than any other department, the collection department affords opportunities of acquiring a thorough knowledge of banking and of human nature.

"Collections" as they are familiarly called, fall naturally into two classes, outward and inward. The proportion which the number of one bears to the other will be governed by the bank's location—if at a manufacturing or producing point, they will be chiefly outward; if at a distributing point, they will be chiefly inward—drawn on consignees.

When a customer brings to the bank a batch of unaccepted bills these may be drawn on a score or more points, where they have to be mailed to some responsible collector. They are first entered in the collection register (outward), which emphasizes owner, drawee, place where payable, due date and amount. The bank's stamp with the collection's number is then placed on the face of each, and on the back a stamp endorsing it either specially or generally. They are next entered under due dates, or approximate due dates, in the diary and handed to the correspondence clerk, with appropriate instructions in case of dishonor, for transmission. Nothing more can be done until reports are received, the first of which will probably consist of sundry bills returned unaccepted for various reasons. By-and-by remittance for, or advice of credit of paid bills, will come to hand, when it is necessary to pass the proceeds to the owner's account less the usual commission. Bills appearing as due, but of which no advice has been received, must have queries sent regarding them without delay. Customers should be advised of any delays or circumstances out of the common connected with their bills, and all unaccepted or unpaid items returned to them at once. More exacting work is found in handling bills inward. These will reach the department for the most part carefully listed in correspondents' letters with instructions as to protest, attached documents, etc. Unaccepted drafts will preponderate largely, with an admixture of notes, acceptances and cheques. The latter are remitted for at once, the notes and acceptances recorded in and numbered from the collection register (inward), entered in the diary and filed away under date of maturity. The unaccepted drafts are also thus recorded and have then to be sent out for presentment.

The doing of this involves supervision of a messenger or junior clerk who is directly responsible to the collection clerk and upon whose intelligence and fidelity the latter is compelled to rely. The messenger receives daily at a stated time the unaccepted drafts, and at another hands in such as have been presented, either accepted or with reasons for dishonor. His position is no sinecure and he has abundant opportunity to remember the claims of his superior officer as against the wiles of drawees who may be greedy of "more time."

The collection clerk after receiving the presented bills separates accepted from unaccepted drafts, and writes them off accordingly in the collection register (inward). He then scrutinizes each acceptance for irregularities, advising or returning all such as are qualified in nature. The due dates on accepted drafts are next checked, the bills entered in the diary, the entry therein checked and each bill finally filed away under date of maturity in the bill case. Dishonored bills must be either protested or promptly returned to the owners with a report as to reasons assigned. Correspondence of this nature may with advantage be undertaken by the collection department, on account of its presumed familiarity with circumstances.

Such are some of the simpler aspects of the collection department. There are times, however, when its duties are much more complicated, as, for example, when a draft arrives with documents relating to a shipment of goods attached, both of which are refused. Instructions covering such a contingency are frequently received with the draft, but if not it becomes necessary to write or wire for special instructions. In the interim, or should there be delay in the receipt of an answer, the safe course is to warehouse and insure the goods, charging expenses to the owner. They will probably have to be sold for account of the latter. A statement of receipts, disbursements and charges and the remittance of proceeds closes the transaction. The guiding principle in such cases is that the bank can scarcely err on the side of caution or in protecting its correspondent's interests, but, as it is not called upon to assume undue responsibility, reference is always made for instructions when possible.

So far no consideration has been accorded the subject of payment of local bills, for the reason that it is more convenient, usually, for a bank to consolidate the duties involved in taking payment for its own paper and collections of others by placing them in the hands of a note teller. In smaller institutions the duties may be performed either by the receiving teller or the officer in charge of the bill department.

As early as possible on the morning of each day the maturing bills are taken from the cases and handed to the note teller. He ticks each off against the entry in the diary—which also shows the owner of each bill and from which the necessary book-keeping particulars are afterwards obtained. He is then in possession of bills domiciled at different banks, at places of business and at his own bank. If it is a member of a clearing house he passes the first named class into the morning clearing. If it is not he hands them with the second class to the messenger for presentment. Customer's acceptances are charged through the ledger accounts and certain bills of outside acceptors held for payment over the counter. At the close of business he rules unpaid bills out of the diary and passes them again into the hands of the discount and collection clerk.

The question is now one as to the disposal of the dishonored paper—to protest or not. The instructions accompanying collections must be carried out, either to return free to the owners or to send to the notary before returning. The latter is no light duty since its omission or its unauthorized performance may involve the bank in a suit for damages. Registered notices of dishonor sent to the endorsers will usually suffice in the case of the bank's own discounts, which are now in the unenviable category of past due bills. They have the possibility of either being redeemed at an early date by maker or endorsers, or forming the basis of a suit for recovery—the bank as plaintiff.

There is something almost relentless in the work of the bill department already discussed. Each morning awakes a host of debts which have lain dormant for a certain length of time and sets the activities of the bank in motion to collect them. Each morning also sees the pile of letters bringing fresh bills from all quarters of the country; each noon brings the

usual local work from customers desirous of converting a debt, near or far off, into ready money; each evening must find all matters which have cropped up during the earlier hours satisfactorily adjusted and the rights of customers and correspondents fully considered and conserved. Ample scope is therefore afforded officers for exercising talents of organization and administration. Successful thorough work demands that the most direct and yet comprehensive methods be adopted, and that the memory be trained to recall circumstances which it scarcely appears to have noted.

The foreign exchange department is one in which, save in certain large and influential institutions, the work is of a much more intermittent character, its volume varying with the arrival and departure of the foreign mails, and dependent on more than local interests. In a very great many banks on the North American continent it is safe to say that this sub-division of the bill department does not exist, while in others its importance is subordinated to a large extent to other departments.

The question of exchange between Canada and the United States is one which may be omitted from consideration as "foreign," although the rules and practice which govern operations of a wider nature apply equally well to these countries. It is when the trade interests of America are considered in connection with those of Europe, Asia, Africa and Australia, countries of varied currencies and differing products, standing in the position of both buyers and sellers towards America and to one another, that the real breadth and depth of exchange questions are realised. It then becomes a matter of congratulation that there is one fixed standard, the pound sterling, which measures all foreign bills, and in which nearly all are expressed. It simplifies the matter still further to remember that foreign bills of exchange are always "bought" or "sold."

A bank purposing to do business of this nature must have a correspondent in London in undoubted standing, upon the strength of whose name bills will be cashed, or will circulate anywhere without question. It will then be open to buy bona fide paper on almost any foreign point, which it will remit to its correspondent on its own behalf; and it will also sell its own

drafts on the correspondent to applicants desirous of remitting. Both buying and selling rates will be governed by those ruling in the financial centres, which again depend on the balance of trade and a variety of kindred questions.

Bills purchased by a bank are either "clean" or "documentary," that is, with or without documents relating to a shipment of goods attached. The former may arise in various ways, the latter are the direct outcome and evidence of a commercial transaction. A merchant having agreed on a rate with a bank, brings his bill, usually drawn in a set of two or three, together with the set of bills of lading (two or three), invoice, policy of insurance and not infrequently a letter of hypothecation—making over the goods in express language to the bank—all in duplicate. Before buying, the bank must be sure it possesses all bills of lading, that they are properly drawn, signed and endorsed, and that its interest is clearly stated on the policy. The customer's account is then credited with the proceeds against a debit to the correspondent at the uniform rate agreed on. The difference between this and the rate of purchase will constitute a debit or credit to exchange account.

In preparing the bills for transmission they and each separate document must be endorsed over to the correspondent, and particulars of the bill, the shipment and documents recorded in a documentary bill book. The first of exchange, one bill of lading, one invoice, one policy and one letter of hypothecation are then mailed, with their particulars recited on an accompanying schedule, which should also give instructions as to disposal of goods if refused. The remaining documents go forward by the next mail or by an alternative route. "Clean" bills are treated similarly.

Against the credit balance thus established with its correspondent the bank can sell its drafts. Each draft as it is issued must be recorded in a book kept for that purpose—showing payee's name, the usance and amount—be checked and signed by the senior officers of the bank, and advice of its issue sent by first opportunity. Drafts may be issued in sets of two or three. A press copy of the advice is also transmitted.

Of great importance and playing an important part in exchange are letters of credit, which are of two kinds, dis-

tinguished as traveller's and commercial. In seeking the former an applicant deposits a sum with the bank equivalent to the whole sum asked for, or security to amply cover that amount. He is then furnished with what is practically an undertaking of the bank's to honor all bona fide drafts under that credit until it is exhausted, which is also a direction to certain banks indicated to purchase the drafts of the traveller at the prevailing rate of exchange.

It is necessary for the bank issuing such credits to keep an account showing the total amount it is liable for under them. It must also keep an account for each one separately, that it may not by any possibility overpay. As the drafts come in it must be as certain as to their genuineness as in paying cheques. They will operate as such against the drawer's balance of account, and in addition an entry must be passed to reduce the amount of the bank's liability under that particular credit. All letters of credit are numbered, are drawn on special forms, and, by the larger institutions at least, a printed list of all issued is sent periodically to their correspondents throughout the world.

Commercial credits are somewhat more complicated, partaking of documentary bills. A credit in these cases is established in favor of a certain firm abroad at the request of a customer of the bank, under which it may draw on the London correspondents up to a certain amount when the drafts are accompanied by specified shipping documents. Such drafts are often drawn for long periods, in which case the London correspondents accept the draft, usually receiving the shipping documents upon so doing, which they in turn transmit to the bank. These of course are security for payment of the bill, but are handed over to the merchant, if in good standing, upon a trust receipt. The accepted bill may be passing from hand to hand in London in the meantime as a bank acceptance, and provision has to be made by the parties interested in the original transaction for its payment. This is done by remitting beforehand, at the debit of the applicant, either by mail or cable, thus concluding the transaction.

Here again the bank must do some careful book-keeping. It must know what it is liable for under all such outstanding credits, what it is directly indebted for to its London corres-

pondents on maturing acceptances, and the date of these. It must be sure that it permits no date of maturity to arrive without having provided cover for its indebtedness. It must also be sure that the merchants upon whose account these liabilities are undertaken are in a position, or have secured the bank to such an extent, as to warrant the responsibilities.

The latter question, of course, is one for the management, but the records, accounts and advices by which such business is systematized and safeguarded, together with the notes of hand, which often accompany the first issue of the credits, are all matters of important concern and for close attention on the part of the exchange department. To it belongs also the business connected with telegraphic or cable transfers, which, of course, are sent in cipher, with the proper check word added. The translation of each telegram must be transmitted by first following mail and the amounts adjusted through the accounts in the usual way.

"Remember," said the head of a London banking house to a junior entering its employ, "never leave securities on your "desk without a paperweight on them." It was not a trivial caution and serves to exemplify the fact that the careful performance of small duties means a proper discharge of graver responsibilities. To formulate a scheme which would embrace the many and varying methods of co-ordinating and harmonizing the duties of the bill department—so insignificant and yet so important—might well make one pause. It has been judged better to touch upon the salient points of an average administration, which it is believed would be equal to the demands of an average business. Minor details may well be left to the attention of thoughtful officers, who remember that in bills of exchange they have instruments "altogether matchless in "brevity of form, facility of transfer and simplicity of title."

F. M. BLACK

THE BANK OF ENGLAND AND SILVER

BELOW is given the text of the cable message covering the resolution passed at the annual meeting of the Canadian Bankers' Association, which was transmitted to the chairman of the London Bankers' Clearing House Association, on the subject of the proposed holding of silver by the Bank of England as a part of its reserve:

In view of the possible early answer of the Government to the American Commissioners, I beg to communicate resolution adopted at Annual Meeting Association held 6th inst.

Resolved, That the chartered banks of Canada having always maintained inviolate the obligation to pay their liabilities, not simply in specie, but in gold, and being firmly convinced that a gold basis is the only one that can result in permanent satisfaction and stability in monetary affairs, hereby place on record their conclusion that no measures should be concurred in or encouraged which will tend, either directly or remotely, to undermine or impair that primary obligation. They are convinced that silver is entirely unsuitable as a basis for the operations of banking and commerce, its true and only suitable function being to facilitate small retail exchanges, such as do not enter into banking transactions at all.

That for this reason the restriction of the amount for which silver can be tendered should be firmly maintained as it is at present, viz., at a maximum of ten dollars, corresponding with the sum of two pounds sterling, which is the currency law of England.

That any attempt to establish a basis on which silver shall be concurrent with gold as a legal tender, to any amount, would prove impracticable in operation, and result in the displacement of gold and the establishment of silver, gold then becoming a commodity of a fluctuating premium.

That this would result in incalculable disturbance and in loss to every interest in the country, financial, commercial, and industrial. Having, therefore, these convictions, the fruit of long experience and observation of the conditions of currency matters in various countries, this Association must view with much apprehension any measure proposed to be taken by financial authorities in the Mother Country, which would tend, even remotely, to the establishment of silver as a basis of banking obligation.

They express hearty approval of the action of the bankers of London in protesting against the holding of silver by the Bank of England as part of its reserve—the reserve held by that bank being the ultimate reserve for the whole United Kingdom—as such holding must impair to the extent to which it is held the ability to maintain the gold standard, and give encouragement to those who favor the delusive and impracticable theories of bi-metallism, and so endanger the great fabric on which the banking of Great Britain has rested for generations, to the incalculable advantage of the world.

They finally reiterate their conviction that a double standard of value of obligation is delusive and impracticable, that of the two standards gold is incomparably the most desirable, and the Dominion of Canada having all its obligations—public, private and corporate—resting and being so long and honorably established on this most solid basis, any attempt to disturb the same, or any measures having a tendency in that direction, should be met with strenuous resistance.

The following also appeared in my annual address :—

"It is a most unhappy circumstance that England, whose commercial supremacy has been established on a monometallic basis, and who is to so enormous an extent a creditor nation, should at this juncture jeopardise these interests through the recent threatened action of the authorities of the Bank of England in contemplating the holding of one-fifth of the Bank reserves in silver. A step of such immense responsibility, involving the *prestige* of the Bank and of the nation, should never have been ventured on without an appeal to Parliament; its mere permissibility, under a clause of the Bank Charter Act of 1844 is insufficient argument for its justification, seeing how changed the condition of affairs is at home and abroad from what it was fifty-three years ago. The principle underlying the measure when framed by Sir Robert Peel, at a time when the annual average of the world's production of silver was less than £6,500,000, and when India and China were liberally absorbing vast quantities of the metal, must now be regarded as obsolete, when the annual production has swollen to nearly £45,000,000, and menaces the agricultural and business interests of every trading nation. Since I ventured to record this opinion in my address, which I am confident is shared by all the banking profession in Canada, I note that a very strong remonstrance has been addressed by the banking community in London to the directors of the bank of England, a precursor, let us hope of wiser counsels in that body, for, without perhaps intending it, the board's unfortunate declaration simply invites the bimetallists to renew the Battle of the Standards as regards the neighbouring Republic should the vote of the twenty three anti-silver States in the last election there prove insufficient to eradicate the free silver sentiment. Let us hope that the increasing prosperity of the Republic will prove the best antidote to the disease."

F. WOLFERSTAN THOMAS,

Retiring President, Canadian Bankers' Association.

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To the above communication the following reply was received :

(*Cable*)

LONDON, 15th October, 1897

London Clearing Bankers thank Canadian Bankers' Association for timely support gold standard. Have sent resolution Chancellor Exchequer and press.

THE BANKERS' CLEARING HOUSE,
LOMBARD ST., 21st Oct., 1897

W. W. L. Chipman, Esq., Secretary-Treasurer
The Canadian Bankers' Association,
Montreal, Canada

DEAR SIR,—I have the honor to acknowledge receipt, by cable, of copy of resolution passed at the Annual Meeting of the Canadian Bankers' Association, held on the 6th inst., on the important subject of the maintenance of the gold standard absolutely unimpaired, together with extract from the address of your retiring President, Mr. F. Wolferstan Thomas.

As already stated in my telegraphic reply, these were immediately handed to the Chancellor of the Exchequer at the same time as a most influentially signed memorial from the city of London; they were also handed to the press, by which means a very wide publicity was obtained, and a deep impression made, if we may judge by editorial comments.

I now enclose a copy of our memorial, and a copy of the Chancellor's reply, from which it appears that a full statement on the subject is about to be made public by Her Majesty's Government.

Allow me to add that the co-operation of the Canadian Banks by means of the very ably drawn and well-timed resolution has been much appreciated here.

I am, dear sir,
Yours faithfully,

(Sgd.) J. H. TRITTON, Hon. Sec.
London Clearing Bankers

MEMORIAL REFERRED TO IN THE PRECEDING

OCTOBER 13th, 1897

To the Right Hon. the Chancellor of the Exchequer.
Treasury, Downing Street

SIR,—We, the undersigned, are engaged in various mercantile, banking and financial enterprises in the City of London, of no slight magnitude, and we are therefore deeply interested in all that affects the monetary position of the country, the credit of the bank note, and the solvency of banking institutions.

We are aware of the visit of the delegates from the President of the United States to this and other countries, but have no authoritative information as to the nature of their proposals. From the communication of the Governor of the Bank of England to yourself, lately made public, and from general report, we cannot but assume that negotiations of some sort touching the metallic currency of this country are proceeding.

We feel impelled by a strong sense of duty respectfully to lay before Her Majesty's Government the following four considerations, the great importance of which we trust may be apparent:

1. That no alterations should be introduced affecting the circulating medium of this country, except after full discussion in Parliament, and by the public at large, so that the changes proposed may have as ample consideration as their importance deserves.

2. That under no circumstances whatever should the pledges of successive Governments as to the British sterling and the single gold standard of this country be set aside, either directly or indirectly; and that no step should be taken by or with the consent of our Government which has for its object any alteration in the value of that standard.

3. That this country alone of the great nations of the world enjoys

under her mint regulations a coinage system absolutely free from embarrassments, internal or external, and we conceive that any departure therefrom in the direction of reliance upon engagements with other countries would be a fatal mistake.

4. That the mints of India being closed (as to the policy of which we express no opinion) a state of circumstances has arisen in which the greatest caution is necessary, whatever may be the next step which the Indian Government may be advised to take; but we urge that no retrograde step be taken except upon as exhaustive an enquiry as that which led up to the present position, and then only if Indian interests will be primarily benefited thereby.

We most strongly urge the foregoing considerations upon Her Majesty's Government, speaking (as we believe we are justified in stating) with some little knowledge of the problems involved and of the interests at stake; and we are prepared, if necessary, to give our reasons at length if it be your wish to receive a deputation.

REPLY TO THE MEMORIAL ABOVE

TREASURY CHAMBERS, WHITEHALL, S.W.,
19th October, 1897

MY LORD,—The Chancellor of the Exchequer desires me to acknowledge the receipt of a Memorial dated the 15th instant, on the subject of certain proposals respecting Currency, which have, at the instance of the Special Envoys of the United States of America, been under the consideration of Her Majesty's Government.

The views expressed in that Memorial have received from him the careful attention to which the number and influence of the signatories are entitled.

I am directed to inform you that papers will shortly be published, which will fully explain the proposals that have been made and the position that has been taken up by Her Majesty's Government on the subject.

I am, MY LORD,
Your obedient Servant,
(Sgd.) W. C. BRIDGEMAN

The Lord Hillingdon

NOTES

AT the recent annual meeting of the Canadian Bankers' Association it was urged by a number of those in attendance that a report of the proceedings should be published at an early date, the suggestion being made that a special number of the JOURNAL should be issued if necessary. To meet these views the January number is issued somewhat in advance of the customary date.

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THE admirable working of the currency system of Canada has never been seen to greater advantage than during the present year. At 31st July the total of the bank note circulation was in round figures, $32,700,000, about the normal level at that period of the year. With the splendid harvest and the higher price for wheat an unusually large amount of currency was required for the crop movement, and by 31st October the circulation had risen to $41,600,000, the highest figure ever reached, and an increase of within a trifle of $9,000,000 from July. This heavy demand for currency was met as usual without any disturbance of the cash reserves of the banks, which, unfortunately, remained at very large figures.

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ON the subject of the recent Canadian 2½% loan, *Banking and Insurance* (Edinburgh) makes the following comment, which seems to reflect very fairly the state of public opinion in Great Britain regarding Canada's condition economically and financially:

> Its success "marked the public appreciation of Canada's progress in the development of its resources, and of the sound basis on which the finances of the country are conducted. Until within thirteen years ago Canada did not dream of borrowing at less than 4 per cent., and when confederation took place in 1867, 5 per cent. was the usual rate of its loans. The first 3½ per cent. loan was issued in 1884. In 1888, 3 per cent. was tried, and now an issue has been made at 2½ per cent. on very favourable terms, although Canada stock is not, as it ought to be, a trustee investment by law. No other part of the Empire outside the United Kingdom occupies so favoured a financial position as Canada, and not many foreign countries could borrow money on the London market at so low a rate as the recent loan. It is well known that Canada passed through the depression of the last few years in a very satisfactory manner. Owing to the excellence of the banking system of the country only one bank closed its doors, and that arose from bad management and from other causes which would probably

have brought it down in any case. At the same time banks in the United States were going by the hundred. The loan and mortgage institutions are also conducted in a satisfactory manner, and are a favourite form of investment. The trade of the country more than maintained its volume, notwithstanding the low prices, and during the last few years has gone rapidly ahead. The recent offer of a preferential tariff has also had its effect on the public mind. In fact, both financially, commercially, and in every other way, Canada has stood the test of the last few years in a very satisfactory manner, and her recent financial success is from every point of view thoroughly satisfactory."

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By way of supplement to the discussion on the subject of Express Company and Post Office money orders, the following figures relating to the issue of orders by the United States Post Office Department, taken from the recent annual report of the Assistant Postmaster-General, will be found of much interest:

Fiscal year ended June 30th	No. of money order offices in operation	Amount of orders issued	Excess of receipts over expenses paid from proceeds
1865	419	$1,360,122	.....
1866	766	3,977,259	$7,138
1867	1,224	9,229,327	26,260
1868	1,468	16,197,858	54,158
1869	1,466	24,848,058	65,553
1870	1,694	34,054,184	90,174
1871	2,076	42,164,118	101,181
1872	2,452	48,515,532	105 977
1873	2,775	57,516,216	68,584
1874	3,069	74,424,854	105 198
1875	3,404	77,431,251	120,142
1876	3,401	77,035,972	190,770
1877	3,697	72,820,509	99,931
1878	4,143	81,442,364	202,952
1879	4,512	88,254,641	223,960
1880	4,829	100,352,818	257,575
1881	5,163	105,075,769	252,314
1882	5,491	113,400,118	280,341
1883	5,927	117,329,406	311,704
1884	6,310	122,121,261	247,875
1885	7,056	117,858,921	243,974
1886	7,357	113,819,521	233,023
1887	7,853	117,462,660	511,617
1888	8,241	119,649,064	541,272
1889	8,727	115 081,845	533,964
1890	9,382	114,362,757	524,374
1891	10,070	119,122,236	549,671
1892	12,069	120,066,801	547,500
1893	18,434	127,576,433	568,951
1894	19,264	138,793,579	625,590
1895	19,691	156,709,089	661,032
1896	19,825	172,100,649	730,646
1897	20,031	174,482,676	790,230
Total	.....	$2,974,647,886	.....

The number of new money order offices established during

the year ending June 30, 1897, was 298, and the number discontinued 92. The number of international money order offices in operation at that date was 3,011, showing a net increase of 122. The number of limited money order offices in operation, where orders are issued for sums not exceeding $5 but no orders are paid, is 1,051, a net increase of 74 during the year. The statement of foreign money order business is as follows:

The number of orders issued in this country during the year for payment in foreign countries was 944,185, amounting to.....		$13,588,379 33
The number of orders of foreign issue paid in the United States was $358,156, amounting to.....	$5,815,016 12	
The number of orders repaid was 1,785, amounting to....	23,861 32	
Making the total number of payments and repayments 359,941, amounting to.....		5,838,877 44
Excess of issues over payments and repayments 584,244 orders, amounting to		$7,749,501 89

QUESTIONS ON POINTS OF PRACTICAL INTEREST

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

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

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

Witnessing Signature

QUESTION 84.—Is it a wholesome practice for the officials of a bank to witness the signature by mark of a customer on a voucher for the withdrawal of a deposit?

ANSWER.—It is better to have an independent witness, but this may not always be practicable. The teller who pays the items should never be permitted to sign as witness.

Bank Notes and Legal Tenders

QUESTION 85.—Is a private individual forced to receive payment of a debt in bank notes, or may he demand legal tenders to any amount?

ANSWER.—No person can be forced to accept bank notes in payment of a debt. He is entitled to be paid in gold coin or Dominion notes, which, as their common name implies, are a "legal tender." The option of paying in gold *or* legal tender notes rests with the debtor. The creditor is bound to accept American gold ($5 pieces and upwards) at its face value, or British gold at $4.86⅔ to the sovereign, (in both cases good tenderable coin being understood) or legal tender notes.

Insurance Certificates Accompanying Bills of Lading

QUESTION 86.—A certificate of insurance is attached to a bill of lading. Must this certificate be drawn in favour of the *drawer* of the relative bill of exchange, or may it be in favour of the *bank* negotiating the draft? Is *either* form of procedure legal?

ANSWER.—We do not think it is material to whom a marine certificate of insurance is issued. The loss under these certificates is usually made payable to a specified person or to his order, and if in case of loss the party holding the bill of lading holds a certificate of insurance which is originally, or by endorsement, made payable to himself, he is entitled to collect the insurance.

Endorsement Placed Above Signature of the Preceding Endorser

QUESTION 87.—A signs a promissory note payable to B. B in order to get it discounted gets C to endorse. C's endorsement, however, is placed before B's on the note. Would C be liable to B as their endorsements stand?

ANSWER.—C would not be liable to B under such circumstances, no matter how the endorsements stood.

Lost Drafts

QUESTION 88.—A purchases from a bank at Toronto a draft on its Montreal office, which is lost in the mails. A asks the bank for a duplicate draft, offering to give them a bond of indemnity, signed by himself and the payee, for twice the amount of the draft, but the bank insists upon having another substantial name. Are they legally entitled to demand this?

ANSWER.—We think that they are entirely within their rights. A mere release of the rights of the purchaser of the draft and of the payee does not help the matter, nor justify the acceptance of a bond of indemnity from them, which the bank do not regard as financially sufficient. The point is that if the draft in question has been received by the payee and endorsed by him, a holder in due course has an unquestionable right to collect the amount from the bank; and besides, if the payee were not honest, he could, even after giving the indemnity and procuring a duplicate, endorse the original if it afterwards reached his hands, and it might become a valid claim in the hands of a third party. In view of the responsibility of the bank on the draft itself their request is quite reasonable.

Stop-Payment of a Marked Cheque

QUESTION 89.—May payment of a cheque be stopped after being marked by the bank?

ANSWER.—Unless there are special reasons existing between the drawer and the holder entitling the holder to stop payment, the answer to this question would be no. The bank has by marking the cheque come into privity with the payee, and the same principles are applicable as in the case of a customer desiring to get back the amount of a cheque which he had procured to be marked in favour of another party (fully discussed in the answer to question 46).

Transfers of Insurance Policies, or Property Covered Thereby

QUESTION 90.—Under one of the clauses found in policies issued by fire insurance companies in Canada, any transfer or assignment of the property insured, without the written consent of the company, renders the policy void. Does not this seriously affect the position of banks taking security under section 74? Schedule C is in express terms an assignment of the goods.

ANSWER.—The clause referred to would not apply to assignments under sec. 74.

The Supreme Court held in *Peters v. Sovereign Fire Ins. Co.* (1886), that such an assignment of the property as would render a policy void under this condition must be an absolute assignment of all the insured's interest therein, and that the clause in question is not to be read as forbidding the mortgaging of the property, where the insured retains an insurable interest. The case of an assignment under sec. 74 comes very clearly within the terms of this judgment, and if this is the only condition in the policy affecting the matter, notice of security given under sec. 74 need not be given.

In a later case, *Salterio v. Citizens Ins. Co.* (1894), the condition in the policy read as follows: "This policy shall not be assignable without the consent of the company . . .; all encumbrances effected by the insured must be notified within fifteen days thereof; in the event of any change in the title to the property insured the liability of the company shall thenceforth cease." A chattel mortgage covering the goods insured was afterwards given to a creditor, and in the chattel mortgage all policies upon the goods were assigned to the mortgagee. The Court held that the policies were avoided by their transfer to the chattel mortgagee without the consent of the company, and also by the execution of the chattel mortgage

which was held to constitute a "change of title" to the property. It was also held that want of notice of the chattel mortgage would, in view of the condition as to encumbrances, avoid the policy.

In the latest case, *Torrop v. Imperial Fire Ins. Co.* (1896), the clause on which the defence was rested made the policy void "if the said property should be sold or conveyed, or the interests of the parties therein changed." The Supreme Court of Canada held that a bill of sale which had been given, although not an absolute transfer of the property, was a change of interest which avoided the policy under this condition.

With such conditions in the policy as existed in the last two cases, the giving of security under sec. 74, without the consent of the company, would probably avoid the policy. It is to be remembered, however, that in almost every instance the loss, if any, under such policies is by their terms made payable to the bank holding the security, and under such circumstances no question could arise.

In so far as insurance contracts in Ontario are concerned, where the statutory conditions govern, security under sec. 74 would not contravene any of these, but in the other provinces it would depend entirely upon the particular language of the condition.

There was a point in the last mentioned case which is of general interest. After giving the bill of sale above mentioned the owner of the goods made a general assignment for the benefit of his creditors, by the terms of the assignment transferring to his assignee, among other things, all policies of insurance. The consent of the company to this assignment of the policies was not obtained, and this seems to have been regarded by the Supreme Court of Nova Scotia as a transfer in breach of the condition, which would have avoided the policy.

NOTES

Payments Made by an Assignee Under an Assignment which was Subsequently Set Aside.—The judgment of the Supreme Court of Canada in *Taylor v. Cummings* deals with a case in which a deed of assignment for the benefit of creditors was set aside. Suit had been brought to annul the assignment and at the same time to recover a portion of the proceeds of the estate from the assignee and from two of the preferred creditors named in the deed, but the court held that such a claim could not be sustained on a suit of that kind. The assignee and creditors who have acted in good faith under such a deed are protected, although it is afterwards set aside.

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Crossed Cheques.—In *Clark v. London and County Banking Co.* the protection afforded to bankers under sec. 82 of the English Bills of Exchange Act (sec. 81 of the Canadian Act) is again dealt with. It is to be noted that the bank collected a crossed cheque for its customer, crediting the proceeds when received to his account, which at the time was overdrawn. The court held that this was clearly a case in which the bank received payment for its customer and was entitled to protection. The judgment of the trial court in *Bissell v. Fox*, an important case that came up in 1884, throws considerable doubt on the right of banks to protection under sec. 82 (81 Can.) in cases where they treat cheques as cash, and consequently collect them for themselves and not for their customer.

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Assignments of Insurance Policies Without the Consent of the Insurance Company.—One of our correspondents submits a question respecting the conditions in policies requiring the consent of the insurance company to any assignment of the pro-

perty insured, and in replying we have referred to the several cases in which the Supreme Court of Canada has dealt with questions arising out of the different forms in which this condition, and conditions of a cognate character, are usually expressed in the policies issued in Canada. It may be doubted whether assignees, to whom assignments of the whole of the debtor's property are made for the benefit of creditors, are always careful to obtain the consent of the insurance companies when policies of insurance are among the assets assigned, and the point is one which creditors or inspectors of estates would do well to note.

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Notice of Dishonour by Telegram.—The reasoning of the Court in *Fielding v. Corry* seems the result of an effort to reconcile substantial justice to the parties concerned with the technical requirements of the Bills of Exchange Act. The holders of a bill of exchange sent notice of dishonour to the Bank who were the last previous endorsers, but by mistake addressed it to the wrong branch of the Bank. Subsequently they sent a telegram to the proper office, and although this telegram was received as soon as a letter mailed within the proper time would have reached them, it was in itself insufficient notice, because not sent until the second day after the dishonour. The Court held the two notices taken together to be good (Collins, L.J., dissenting). The prior endorsers on the bill were not injured in any way by the error which had happened, nevertheless the judgment is not free from doubt. It seems desirable, as the rights of parties under the Bills of Exchange Act depend so largely on compliance with the technical requirements of the Act, that these should be rigidly enforced.

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Material Alteration of a Note. — Although it must be regarded as settled law that the addition of a name purporting to be that of another maker, after a note has been issued, is a material alteration that vitiates the note, it is not easy to understand the principle on which this conclusion has been reached. The case of *Carrique v. Beaty* is however on all fours with previous cases that have been decided in the same

way. The English Court of Queen's Bench in *Aldous v. Cornwell* held that the addition of the words "on demand" to a note which expressed no time for payment, was not material, as the note was by law so payable, and the contract was therefore not altered by the addition. In delivering judgment in the last mentioned case the court said: "Not being bound, we are certainly not disposed to lay it down as a rule that the addition of words which cannot possibly prejudice any one destroys the validity of the note." Upon the same principle the addition of another maker's name would seem to us an act which should not affect the validity of the note, but the cases are clear and the law well established.

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Guarantee—Appropriation of Payments.—The judgment in the suit of the Crown against Ogilvie in respect to his memorable guarantee to the Government of a deposit in the Exchange Bank of Canada, depends specially on the rules governing the imputation of payments under the Code in the Province of Quebec. The learned judge makes a very careful comparison of the English law and the Civil Code of Quebec on this important point. It is a noteworthy fact that while under English law the practice has grown up of disallowing any right of imputation on the part of the debtor unless he exercises it at the time of payment, under the Civil law the right where no imputation has been made rests with the debtor up to the time of trial. On the ground that an official of the Bank made an error in his advice of the payments to the Government, which Mr. Ogilvie as surety was entitled to have amended, and because of the rights arising out of the Civil law respecting the imputation of payments, the Government was held to have received payment of the amount for which the guarantee had been given. The principles underlying the law of suretyship are of course alike in the common law and the Civil law, although the rules by which it is applied differ in many respects, and the case will be found of general interest.

COURT OF APPEAL, ENGLAND

J. S. Fielding & Co. Limited v. Corry and others*

A notice of dishonour was addressed to the wrong branch of the bank entitled to notice. The error was discovered on the following day, and notice of dishonour was sent by telegram to the proper branch, who in turn duly notified the previous endorser.

Held, that the two notices should be treated as one continuing act, and that they constituted proper notice of dishonour.

This was an application for judgment in an action tried before Ridley, J., and a jury. The plaintiffs sued as indorsees and holders of a bill of exchange for £120, dated the 7th of July, 1894. One of the defendants, Mrs. L. E. Edwards, was sued as the indorser of the bill to the plaintiffs. Mrs. Edwards' defence was that she had no due notice of the dishonour of the bill. Shortly before the bill matured the plaintiffs handed it to their bankers, the Cardiff branch of the County of Gloucester Bank, in order that it might be sent up to London and presented at the National Provincial Bank of England, at which bank it was payable. The Cardiff branch of the County of Gloucester Bank forwarded it to their agents, the London and Westminster Bank, by whom it was duly presented on Saturday, the 10th of November, 1894. The bill having been dishonoured, the London and Westminster Bank gave notice of dishonour on Monday, the 12th of November, to the County of Gloucester Bank, but by mistake they addressed the notice to the Cirencester branch of that bank, and not to the Cardiff branch. On the next morning, having found out their mistake, they sent notice of dishonour by telegraph to the Cardiff branch. It appeared that the Cardiff branch duly gave notice to the plaintiffs, and the plaintiffs duly gave notice to the defendant. The defendant, however, contended that she was entitled to rely on any failure to comply with the requirements of the Bills of Exchange Act, 1882, with regard to any link in the chain of notices, and that the London and Westminster Bank had not given notice to their principals in accordance with those requirements. Sec. 49 of the Bills of Exchange Act, dealing with notice of dishonour, provides as follows:

"(12) The notice may be given as soon as the bill is dishonoured, and must be given within a reasonable time

*The Solicitors' Journal.

thereafter. In the absence of special circumstances notice is not deemed to have been given within a reasonable time unless . . .

(*b*) Where the person giving and the person to receive the notice reside in different places, the notice is sent off on the day after the dishonour of the bill, if there be a post at a convenient hour on that day, and if there be no such post on that day, then by the next post thereafter.

(13) Where a bill when dishonoured is in the hands of an agent, he may either himself give notice to the parties liable on the bill, or he may give notice to his principal. If he give notice to his principal he must do so within the same time as if he were the holder, and the principal, upon receipt of such notice, has himself the same time for giving notice as if the agent had been an independent holder.

(14) Where a party to a bill receives due notice of dishonour, he has, after the receipt of such notice, the same period of time for giving notice to antecedent parties that the holder has after the dishonour."

Ridley, J., thought the requirements of the statute had been sufficiently complied with, and gave judgment for the plaintiffs. The defendant appealed.

The Court (A. L. Smith and Rigby, L.JJ., Collins, L.J., dissenting), dismissed the appeal.

A. L. Smith, L.J., said the person to give notice in this case was the London and Westminster Bank, and they gave notice to the right persons—viz., the County of Gloucester Bank, on the proper day, but they addressed that notice to the Cirencester branch instead of the Cardiff branch. They found out their error in time to enable them to send notice by a telegram on the next day, and that telegram was received by the Cardiff branch as soon as a letter posted on the previous day would have been received. He thought that the sending of the two notices ought to be treated as one continuing act, and that the first mistake in the address did not avail the defendant. In his opinion, therefore, the judgment of Ridley, J., ought to stand.

Rigby, L.J., concurred.

Collins, L.J., thought that the different branches of a bank ought not to be treated as one and the same person, but as different persons, for the purpose of receiving notice of dishonour of a bill of exchange. In his opinion, therefore, the first notice was sent to a wrong person, and could not be relied on at

all. And the notice by telegram was clearly not sent off within the time required by the Act. The whole of the law as to notice of dishonour was technical and arbitrary, but it seemed to him that the defendant had shown a break in the chain of notices, of which she was entitled to avail herself.

Queen's Bench Division, England

Clarke v. London and County Banking Co.*

Where a crossed cheque is delivered to a banker by a customer for collection and the banker receives payment of it and places the amount to the customer's account, the fact that the customer's account is overdrawn does not make such a receipt by the banker any the less a receipt of payment for the customer within the meaning of sec. 82 of the Bills of Exchange Act, or disentitle the banker to the protection of that section.

In August, 1894, one W. S. Fisher, as managing clerk of a firm of solicitors who acted for the plaintiff, received on behalf of the plaintiff a crossed cheque for £43 6s, drawn by C. C. Scott on the Bank of England and made payable to the plaintiff's order. Fisher, who had an account at the Dartmouth branch of the defendant bank, forged the endorsement of the plaintiff's name and paid the cheque so endorsed into his own account for collection. At that time Fisher's account was overdrawn to the extent of £13 9s. Upon receipt of the said cheque the defendants allowed Fisher to draw a cheque upon them for £5 8s 6d, which they cashed. Subsequently the defendants received payment of the first mentioned cheque from the Bank of England and placed the amount to the credit of Fisher's account. The plaintiff brought action in the County Court to recover the amount of the cheque from the defendant as money had and received to their own use. The Judge held that the defendants were entitled to the protection of sec. 82 of the Bills of Exchange Act, and entered judgment for the defendants. The plaintiff appealed.

Cave, J.: It seems to me quite clear that this case is within the protection of the section. Sec. 82 provides that where a banker in good faith and without negligence receives payment for a customer of a cheque crossed generally or specially to himself and the customer has no title thereto, the banker shall not incur any liability by reason only of having received such pay-

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*The Law Reports.

ment. What have the defendants done more in this case that is to render them liable? It is said that they have applied a portion of the sum received in payment of the overdraft. I do not see why that should create any liability. The mere placing of the money to their customer's account with the result that a portion of it would, if the balance were struck, go towards clearing off an overdraft, cannot in my judgment render them liable. It is a mere matter of account between them and their customer. If putting it to the customer's account is not to render the banker liable when the customer is in funds, it cannot make them liable when the customer happens not to be in funds. The appeal must be dismissed.

LAWRENCE, J.: I agree.

SUPREME COURT, CANADA

Taylor et al v. Cummings and People's Bank of Halifax*

In an action to have a deed of assignment for the benefit of creditors set aside by creditors of the assignor on the ground that it is void under the statute of Elizabeth, neither moneys paid to preferred creditors nor trust property disposed of in good faith by the assignee or persons claiming under him can be recovered, nor can persons holding under the deed be held personally liable for moneys or property so received by them.

The following are the facts in this case:

One Neil McKinnon made an assignment for the benefit of his creditors, under which claims of Cummings and the People's Bank of Halifax were preferred. The assignee, Selden W. Cummings, disposed of the assets, and, acting in good faith, made the payments to the preferred creditors as provided in the deed of assignment. At some time thereafter the plaintiffs sued to have the assignment declared fraudulent and void, and to recover from the assignee, Wm. Cummings & Son, and the People's Bank of Halifax, a portion of the amount received by the two latter from the insolvent's estate.

One of the reasons alleged against the assignment was that there had been a secret agreement between McKinnon, Selden W. Cummings and William Cummings & Son, under which the latter were preferred for a large sum in excess of their claim with the object of enabling McKinnon to retain a portion of such preference for himself.

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*Supreme Court Reports.

The assignment was held to have been fraudulent, but the Supreme Court of Nova Scotia gave judgment against the plaintiffs on their suit for recovery of moneys paid to the preferred creditors. From this latter judgment the present appeal was taken.

The judgment of the Court was delivered by

SEDGEWICK, J.: We are of opinion that this appeal should be dismissed not only for the reasons stated by the learned judges below, but because in our view the action itself was baseless except in so far as it sought to set aside the deed in question and thereby render the property covered by it available for execution or garnishment at the instance of judgment creditors.

The claim of the plaintiff for an account against William Cummings & Son and the People's Bank, with a view of making them pay over to the creditors the moneys received by them under the deed on account of the assignor's indebtedness to them, is absolutely untenable under English law, in an action to declare a deed void under the statute of Elizabeth. No decree has ever yet been made ordering restitution of property parted with by the assignor of the deed or persons claiming under him. That statute avoids the deed, nothing more—it leaves the creditor defeated or delayed to his ordinary remedies, execution, garnishment. No English case has been shown where, in a suit of this kind, a personal liability for property disposed of has been cast upon persons taking under the deed, and the reason is obvious. A creditor, as such, has no claim either at law or in equity to his debtor's property. He must first obtain his judgment and charge it by way of execution.

In this view we must express our dissent from the decision of the Supreme Court of Nova Scotia in *Cox v. Worrall*, it being understood, however, that we are not dealing with a case where persons deliberately combine and conspire to dispose of property in fraud of creditors, but only with a case where a deed is sought to be set aside and the assignee and creditors have, in the meantime, in good faith, acted under it.

The appeal should be dismissed with costs.

Exchequer Court of Canada

In re Exchange Bank of Canada. The Queen v. Ogilvie

Appropriation of payments. Guarantee bond applicable to one of several loans.

The facts herein briefly stated are as follows:

Financial difficulties which ultimately resulted in suspension and liquidation, compelled the Exchange Bank to apply to the Finance Department of Canada for assistance, and in the hope of saving the institution from insolvency the Government on 12th April, 1883, made a special deposit with the bank of $100,000, and a further deposit of a like sum on 21st April, receiving therefor deposit receipts numbered respectively 323 and 329. These sums proving insufficient for the needs of the bank, very shortly thereafter the institution made application for another $100,000, which sum was also granted, but not until the defendant, who was a director of the bank, had given a letter of guarantee in the following form:

Ottawa, 11th May, 1883

My Dear Sir,—I beg that the Government will place a further sum of $100,000 at deposit with the Exchange Bank on the same terms as the former deposits of $200,000, and on the Government agreeing to comply with the request I hereby undertake to hold myself personally responsible for the further deposit of 100,000.

Yours very truly,

A. W. Ogilvie

J. M Courtney, Deputy Minister of Finance

For this last mentioned sum a deposit receipt numbered 346 was issued by the bank.

On 31st May the Finance Department notified the bank that it would on 1st July require the sum of $50,000 to be transferred from the special deposit account to the Department's general account, and on 30th June a similar notice for 1st August as to a further sum of $50,000 was given the bank.

On 7th July the Finance Department wrote the bank asking for an acknowledgment of the credit at 1st July of $50,000 to the general account, and for a receipt at interest for $50,000, in return for which the Department would surrender "one of the (special) receipts for $100,000."

In reply to this communication the Department received a letter, signed by James M. Craig, "pro manager," enclosing the acknowledgment asked for together with a special receipt for $50,000, and requesting the return of the special deposit

receipt of earliest date, No. 323—$100,000. (It appeared from the evidence that instructions had been given to Craig by the President of the bank to apply the first payments made to the last deposit, *i.e.*, to the deposit to which the defendant's guarantee was applicable.)

Then on the following day, 10th July, twenty-two days earlier than the date for which notice had been given, the bank made the second transfer of $50,000 to the Department's ordinary account, and wrote, over the signature of Craig "pro manager," asking and obtaining the return of the last mentioned deposit receipt for $50,000.

On 17th September following, the bank suspended payment. On 10th November the defendant, being aware of the payment of $100,000, and in the apparent belief that his liability had been discharged, pressed the bank for the return of his letter of guarantee, whereupon the President of the bank made demand upon the Government for its surrender. The Finance Department, on the advice of the Minister of Justice, declined to give up the guarantee.

In September, 1895, twelve years later, the Government brought the present action. Their contention was that the two payments of $50,000 each must be wholly imputed to the first of the three special deposits of $100,000 which was represented by the returned receipt No. 323, and that as to the dividends received by the Government from the estate of the insolvent bank, the defendant was only entitled to credit on the amount of the guarantee in the proportion which the amount of the same, with interest added, bore to the total claim of the Government. Reduced to figures, the claim made upon the defendant was as follows:

To amount of the special deposit in connection with which the guarantee was given.....	$100,000 00
To interest on the balances as they existed after payment of each dividend, from May, 1883, (date of the guarantee) to February, 1893, (date of last dividend)	33,513 46
	$133,513 46
By proportion of dividends applicable to this special deposit	$67,693 38
Amount claimed.....	$65,820 08

The defendant, on the other hand, contended that any amount in which he was ever responsible towards Her Majesty had been paid; that the sums received on her behalf ought to have been imputed to the sum of $100,000 in connection with which he gave his guarantee; that James M. Craig in asking for the return of the first receipt, No. 323, in connection with the repayment of $100,000, acted in contravention of the agreement between the bank and the defendant, in error, and without the knowledge of and contrary to the instructions of his employers.

The Court held that the case was governed by the Civil Code of the Province of Quebec, on the ground that the proper law of the contract was that of the country where the performance was to take place, and rendered judgment in favor of the defendant upon legal principles which are fully indicated in the following extracts from the judgment:

I must give dominant weight to the law of suretyship as it exists in this province. As both systems, however, boast a common parentage and retain many points of similarity, it will be useful to point out the leading differences which have come to exist between them. The English rules as to imputation of payments are in part these:—

1. When one person is indebted to another on various accounts, the debtor is at liberty to pay in full whichever debt he likes first; this right can only be exercised at the time of payment, not afterwards.

2. The debtor has no right to insist on paying a debt partly at one time and partly at another; if, however, the creditor accepts the payment the debt is to its extent extinguished.

3. Where the debtor, having the opportunity so to do, makes no appropriation, express or tacit, at the time of payment, the creditor is entitled to appropriate the payment to whichever debt he pleases; and he may exercise this right at any time he likes.

4. If neither debtor nor creditor apply the payment, the law usually makes the appropriation on the earliest items of an entire unbroken account.

The Civil law rules as regards imputation of payments are clearly defined.

1. A debtor of several debts has the right of declaring, when he pays, what debt he meant to discharge. He cannot, however, discharge capital in preference to arrears of interest. He cannot compel the acceptance of a payment on account of a particular debt.

2. If the debtor makes no imputation, the creditor may do so, but it must be made at the instant of payment.

3. If the receipt makes no special imputation, then

(a) The payment must be imputed in discharge of the debt actually payable which the debtor has at the time the greater interest in paying.

(b) If of several debts one alone be actually payable, the payment must be imputed in discharge of such debt, although it be less burdensome than those which are not actually payable.

(c) If the debts be of like nature and equally burdensome, the imputation is made upon the oldest.

(d) All things being equal, it is made proportionately on each.

Thus, both English and Civil law give the option in the first place to the debtor; but he must optate at time of payment. The like restriction as to immediate option, in the event of the creditor coming to exercise his secondary right is preserved by us, but overthrown by comparatively recent decisions in England. The courts there, perhaps, giving expression to long continued usage, have reversed the original principle of decision, enable the creditor to make his election even up to time of trial, and in the absence of express appropriation determine that it is his and not, as with us, the debtor's presumed intention which is to govern. I cannot adopt, in the case before me, the common law authorities cited at the Bar as determining the law upon these conflicting doctrines.

. . . The special deposit account, or accounts, into which went the Government's three loans of $100,000 each was not an ordinary current account which might be added to or drawn upon in the usual course of daily business. . . . The bank became bound to pay only from the date and to the extent of the special call. When on the 10th of July, payment was made of $50,000, this did not constitute a partial payment. It discharged in full all that was on that day exigible in relation to the deposits and gave the bank right to make imputation on the amount covered by the guarantee. This right became more emphatic at the second payment of $50,000, because it completed the sum of $100,000, and thus, in amount, at least, ran equal with defendants' letter. Instead of asserting or utilizing its power of electing to get back No. 346, the accountant asked for the receipt first issued, and when the second payment was made asked for No. 358, which bore the last date of all.

The defendant asserts that in all this there was flagrant error. If so, can it be invoked by him? Is it susceptible of proof by oral testimony, and if thus proven is relief now possible?

The court is of the affirmative opinion upon all these points and for these reasons. When a debtor of several debts has accepted a receipt by which a specific imputation is made, he

can afterwards require the payment to be made upon a different debt upon any ground for which a contract might be avoided. Error is one of these grounds. So is surprise. It would not be proper to correct the error if the creditor had been thereby induced to deliver up some special security. The surety is the ayant cause of the debtor; he can exercise the rights and plead the exceptions, not purely personal, which belong to the latter; he can urge the error with which the consent of his debtor was infected. Of the error oral testimony may be made.

I do not know of any reason which bars the present giving of relief, if sufficient proof of error is before us. The Finance Department was not induced by reason of the alleged mistake, to part with or discharge any special security. All that it gave up was written acknowledgment of an undisputed debt.

Full consideration of the objection taken leads me to the conviction that what took place between the surety and the debtor is, to the extent sought in this case, probable. It does not make in contradiction of the letter of guarantee. It is relevant by way of confirming the intention of the bank in the exercise of a lawful and then existing right—to apply first payments to the discharge of defendant, and to strengthening the existence of error. Had the bank agreed with the Government to discharge, or of deliberate purpose discharged, one of the unsecured deposits, I imagine that the defendant would have been concluded of any after remedy. The evidence as to the agreement with defendant and as to the error made by the accountant, is precise.

With error held to be established, in respect of the acts of James Craig, what comes to be the position of the parties?

In neither of the two calls of $50,000 each did the Government seek to elect on which deposit receipt they were to be applied. When suggesting the issuance of a current account receipt for $50,000 and a deposit account receipt for a like amount, it was not proposed to have these stand in lieu of the earliest receipt No. 323. What the Departmental letter of the 7th of July offered was the return of "one of the receipts which we now hold."

Whether it is held that the specific imputation in favor of the surety which was intended by the bank, ought to replace the unauthorized and mistaken acts of James Craig, or that the plaintiff and defendant are to be left to the application of legal imputation, makes no difference as to results. For if neither party made election as to the specific debt on which the payments were to be applied they would go in discharge of the one which was the most onerous. The Civil law deems that debt to be most onerous to which a suretyship is attached, for the reason that the debtor by one payment discharges two creditors, representing principal and accessory obligations.

These two points are conceded by the Crown.

There is one other feature of the case which deserves a brief reference. Even if I were not for the total dismissal of the action I could not adopt the figures for which judgment is sought, on behalf of the Crown.

The defendant, if liable at all, is entitled to a credit from dividends, in the proportion which the amount due under his suretyship bears to the total claim of the bank.

In this respect the Crown concedes that defendant is entitled to a credit of $67,693 38. Against this amount, however, it makes a charge of $33,513.46 for interest from the date of the bank's insolvency, which I do not think is sustainable.

Defendant's letter promised, on consideration of the Government making a third deposit on the same terms as previous ones, "to hold himself personally responsible for the further deposit of $100,000." It did not add "with interest thereon," or "and interest."

Suretyship cannot extend beyond the limits within which it is contracted. Unless indefinite, it does cover the accessories of the principal obligation; it is essentially a contract *de droit strict*, and like other contracts is to be interpreted in favor of him who has contracted the obligation.

If the surety has expressly determined the sum for which he is to be obliged he is not liable for interest thereon unless he can be held to have tacitly engaged to pay it.

As regarded the bank, interest on the deposits ceased with insolvency.

There was, as a result, no accumulating fund of interest which could claim priority of interest. I do not need to express resulting effect to defendant in exact figures. The action is dismissed in its entirety with costs.

Supreme Court of Nova Scotia

McGregor et al v. Kerr*

Bills of Sale Act (Nova Scotia) held not applicable to a contract made in respect of goods in Ontario brought subsequently into Nova Scotia.

An assignment for the benefit of creditors which purports to transfer the personal property of the assignor, and goes no further, will not cover property in possession of the assignor but in respect to which his title is not complete.

The facts herein are briefly as follows: One George McMinn doing business as a manufacturer at Hopewell, N.S., ordered from Messrs. McGregor, Gourlay & Co. of Galt,

*Nova Scotia Reports.

Ontario, machinery of the value of $325. The order was in the form of a letter dated at Hopewell, N.S., addressed to McGregor, Gourlay & Co., embodying a promise to pay the purchase price at certain dates, with the stipulation that the title to the property was not to pass to McMinn until the purchase money was paid in full.

McMinn fell behind in his payments and finally on 1st October, 1896, a notice was served on behalf of the plaintiffs demanding possession of the property. McMinn thereupon made an assignment for the benefit of his creditors, and a similar notice was then served upon the defendant Kerr, the assignee.

McGregor & Co. then brought suit to recover possession of the property. At the trial judgment was given for the defendant on the ground that the agreement was void, not having been registered as called for by the Bills of Sale Act. From this judgment the plaintiffs appealed.

HENRY, J.: . . . Although the section enacts that certain clauses of the agreement shall under certain conditions be void as against certain classes of persons, we conclude that in so enacting our Legislature is purporting to deal only with agreements which it has legislative jurisdiction to effect as being entered into within territorial limits as to which we have power to make laws. . . .

I do not intend to discuss the matter of legislative power in this connection beyond saying that I have no doubt as to the power of the Legislature to provide for the filing of agreements such as that with which we are dealing in the county where the person in possession of the property affected by them resides, even where such agreements are made abroad, as a condition necessary to the enforcement of rights of the lessor or bargainor against creditors and purchasers in that province. . . . An expressed intention in the Act to cover cases of agreements made abroad would no doubt be effective.

On the other hand the Act as it stands at present provides for conditions as to the making and verification of certain kinds of contracts, which conditions are unworkable in respect to agreements entered into and executed outside the province, and therefore it seems to follow that we must read it as not intended to apply to cases of this kind.

. . . These reasons have led me to the conclusion that our Bills of Sale Act is not applicable to the present case.

Townshend and Meagher, JJ., concurred.

Weatherbe, J., and Graham, E.J., dissented.

COURT OF APPEAL, ONTARIO

Carrique v. Beaty

A promissory note made by two persons, one signing for the accommodation of the other, was, after maturity, signed by a third person :—

Held, on the evidence, that this third person signed as an additional maker and not as an endorser, and that there was, therefore, a material alteration of the note discharging the accommodation maker.

The judgment of Boyd, C., on the point indicated in the head note hereto, reported at p. 427 of vol. iv. of the JOURNAL, has now been reversed on appeal. The judgment of Osler, J.A., following, embraces a concise statement of the facts in the branch of the case of interest to JOURNAL readers :

I am constrained to hold, with great deference to the learned trial Judge, that the appeal of the defendant James Beaty should be allowed.

Two questions are raised by his defence : 1st, whether the defendant John Albert Beaty signed the note as maker, or is to be regarded simply as an endorser; and 2nd, if he signed as maker, whether that is a material alteration of the note which discharges the appellant, having been made after the note was issued by him and without his authority.

The effect of the 56th and 58th sections of the Bills of Exchange Act, 1890, is that where a person signs a note *otherwise than as maker or payee* he thereby incurs the liabilities of an endorser to a holder in due course and is subject to all the provisions of the Act respecting endorsers.

The note sued on was issued as the joint and several promissory note of the defendants W. C. Beaty and James Beaty, the former being the principal debtor, and the latter, to the knowledge of the plaintiff, his surety only.

It so remained down to some time in the month of June, 1894, when it was still in the plaintiff's hands, and about six months overdue. Then the defendant John Albert Beaty added his name thereto, immediately below the signatures of the other defendants, so that it became and is now to all appearance the joint and several promissory note of all three defendants. The defendant James Beaty had no notice of this and was not an assenting party to the addition of John Albert Beaty's name. The plaintiff contends that John Albert Beaty's position is simply that of an endorser, though in his pleadings he has charged him as a joint maker.

The evidence is that after the note became due and when the plaintiff was pressing W. C. Beaty for payment the latter wanted time, and "offered to put his son John Albert on the note as additional security."

W. C. Beaty swears that "he understood" the plaintiff assented to this, but the plaintiff denies it, saying that he told him he could not give him an extension of time, and must have the money, that it was his wife's and that she was uneasy about its non-payment. He also said that when Beaty proposed to see his wife about it, he told him he need not do so, as the note was in his name, and she could not extend the time. Beaty and his son nevertheless went to the plaintiff's house, saw his wife, told her that John Albert Beaty had come down to sign the note, "and she brought it out, and he signed it."

There is no evidence that he intended to sign as endorser, nor is there anything on the face of this note to throw doubt upon or qualify the character in which it purports to be signed by him, which is that of maker. Under these circumstances it appears to me that there is no room for the application of the statute.

From the mere fact that the defendant John Albert Beaty was proposed to be put on the note and that he became a party to it as surety, just as the defendant James Beaty is, it is not a necessary inference that he was intended to be made or to become a party to it as endorser. The proposal could be carried out just as well by his becoming a joint maker, and there is no evidence on the face of the note or otherwise that he signed it in any other capacity. That is the contract evidenced by the note. He has not signed it otherwise than as maker, and therefore it is not necessary to invoke the aid of the statute, and to say that he has incurred the liability of an endorser. Had the plaintiff sued John Albert Beaty alone, I do not see that it could have been argued for a moment that he was entitled as being an endorser to presentment and notice of dishonour. The contract he had offered and the plaintiff had accepted was a contract similar to that of James Beaty, that, namely, of a maker for the accommodation of, and as security for, W. C. Beaty.

The case is quite distinguishable from *Ex parte Yates*, referred to in the judgment below. There the note was signed by three makers, and some years after it was due another person placed his name on the face of the note, not with or following the other names, but at a distance therefrom and in the lower opposite corner. The Court said: "The question is as to the meaning and intention with which Richard Russell signed his name on the note, and it is, in my opinion, established by the evidence, that he signed the note in the character of an endorser for the purpose of endorsement only. It is true that his name is written on the face of the note, but it has been for more than a century settled that this makes no difference where the intention is such as it was here. It is clear, that a signature

having the effect of endorsement, and according to a secondary sense of the term called an endorsement, may be written on the face of the note, and if written with the same intention and effect as if written on the back, will have the same effect."

In the case at bar there is no evidence that the defendant John Albert Beaty intended to sign in any other character than that in which he appears to have signed, namely as maker, nor was there any reason why even as surety he might not there sign the note in that character.

What then was the effect of the addition to the note of the name of John Albert Beaty as maker under the circumstances I have mentioned? It may be conceded that the holder's assent to the act was at the moment wanting, if that makes any difference. The holder of the instrument may show, and the onus is upon him to do so, that an alteration is not a material one, or that in truth it is not an alteration at all, as *e.g.*, that it was made before the note was issued or is a mere accidental mark upon, or defacement of, the instrument of no greater significance than if it had been accidentally destroyed.

Alteration implies intention, and here is something that was deliberately and intentionally done. That it was a material alteration the effect of which is to discharge the other maker James Beaty, even though at the time not assented to by the plaintiff, is expressly decided in *Gardner v. Walsh*, and in *Reid v. Humphrey* in this Court, where the added name was held, though a forgery, to be a material alteration.

Burton, C.J.O., and Maclennan, J.A., concurred.

UNREVISED TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Quarter ending 30th September—	1896		1897	
Free	$11,006		$12,853	
Dutiable	17,690		17,764	
	$28,696		$30,617	
Bullion and Coin	3,988	$32,684	2,372	$32,989
Month of October—				
Free	$ 4,109		$ 4,341	
Dutiable	5,047		5,646	
	$9,156		$9,987	
Bullion and Coin	135	$ 9,291	74	$10,061
Total for four months		$ 41,975		$ 43,050

EXPORTS

Quarter ending 30th September—				
Products of the mine	$ 2,441		$ 3,586	
" Fisheries	2,567		2,411	
" Forest	12,315		13,409	
Animals and their produce	10,941		14,500	
Agricultural produce	2,655		5,718	
Manufactures	2,309		2,573	
Miscellaneous	49		27	
	$ 33,279		$ 42,226	
Bullion and Coin	2,830	$ 36,109	252	$ 42,478
Month of October—				
Products of the mine	$ 879		$ 1,343	
" Fisheries	2,349		2,253	
" Forest	3,104		2,485	
Animals and their produce	4,538		6,098	
Agricultural produce	1,599		3,471	
Manufactures	889		853	
Miscellaneous	19		19	
	$13,381		$16,523	
Bullion and Coin	294	$13,675	170	$16,693
Total for four months		$49,784		$59,171

SUMMARY (in dollars)

For four months	1896	1897
Total exports other than bullion and coin	$46,660,000	$57,749,000
Total imports " " "	37,852,000	40,604,000
Excess of exports	$8,808,000	$17,145,000
Net imports of bullion and coin	1,001,000	2,024,000

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

(000 omitted)

	MONTREAL		TORONTO		HALIFAX		HAMILTON		WINNIPEG		ST. JOHN	
	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1896	1896-7
	$	$	$	$	$	$	$	$	$	$	$	$
November	54,397	50,215	28,633	29,129	5,444	5,063	3,363	2,856	8,503	8,895		2,362
December	54,138	51,033	33,728	33,146	5,462	5,547	3,224	3,051	6,641	7,736		2,566
January ..	46,663	43,577	33,095	31,117	5,705	5,135	3,227	2,863	4,977	5,009		2,200
February .	38,123	38,480	28,544	24,592	4,709	4,208	2,686	2,591	4,052	3,851		2,016
March ...	36,643	40,654	26,087	26,673	4,357	5,215	2,516	2,799	4,286	4,289		2,144
April	37,589	45,092	26,111	28,236	4,790	5,077	2,729	2,900	4,032	4,161		2,314
May	44,324	46,600	27,796	29,059	5,064	5,270	2,733	2,655	4,246	5,014	2,413	2,430
June	43,129	54,616	28,384	29,842	4,550	4,792	2,775	2,544	4,094	5,531	2,418	2,566
July.....	44,796	52,831	30,494	33,892	5,467	6,308	2,847	2,638	4,961	5,616	2,879	3,116
August ..	41,574	49,240	25,128	29,640	5,556	5,554	2,367	2,442	4,646	6,298	2,602	2,874
September	44,763	55,080	24,870	32,466	5,036	5,164	2,829	2,971	4,630	8,035	2,283	2,620
October ..	48,999	59,340	29,242	35,736	5,387	5,817	3,131	2,970	7,585	13,291	2,292	2,464
	535,138	586,758	342,112	363,528	61,527	63,150	34,427	33,280	62,653	77,726	14,887	29,672

STATEMENT OF BANKS acting under Dominion Government charter for the months of September and October, 1897, and comparison with October, 1896:

LIABILITIES

	30th Sept., 1897	31st Oct., 1897	31st Oct., 1896
Capital authorized	$ 73,258,684	$ 73,258,684	$ 72,958,685
Capital paid up	62,279,926	62,285,196	61,725,369
Reserve Fund	27,223,999	27,223,999	26,373,799
Notes in circulation	$ 38,616,211	$ 41,580,928	$ 35,955,150
Dominion and Provincial Government deposits	6,716,316	5,708,238	5,567,285
Public deposits on demand	76,136,117	78,210,044	67,312,835
Public deposits after notice	135,682,927	137,156,188	125,525,470
Bank loans or deposits from other banks secured	80,000	22,000	5,000
Bank loans or deposits from other banks unsecured	3,304,066	2,873,741	2,822,902
Due other banks in Canada in daily exchanges	143,696	132,923	83,926
Due other banks in foreign countries	279,397	280,250	277,768
Due other banks in Great Britain	2,031,777	890,096	2,014,501
Other liabilities	456,158	338,208	413,114
Total liabilities	$263,446,774	$267,192,690	$239,978,040

ASSETS

Specie	$8,750,689	$ 8,754,736	$ 8,844,025
Dominion notes	17,586,188	17,283,787	14,720,782
Deposits to secure note circulation	1,779,454	1,881,704	1,834,294
Notes and cheques of other banks	9,093,759	8,214,133	7,149,216
Loans to other banks secured	28,500	22,000	150,000
Deposits made with other banks	4,094,247	4,175,721	3,808,802
Due from other banks in Canada in daily exchanges	172,376	224,209	175,462
Due from other banks in foreign countries	27,939,204	29,133,777	15,380,510
Due from other banks in Great Britain	12,462,134	13,038,952	10,141,919
Dominion Government debentures or stock	2,767,379	3,097,574	2,787,540
Public municipal and railway securities	27,802,341	28,394,466	21,251,943
Call loans on bonds and stocks	17,314,047	18,308,707	13,948,206
Current loans and discounts	206,779,863	208,485,640	214,159,871
Loans to Dominion and Provincial Governments	1,353,197	1,473,431	546,120
Overdue debts	3,622,730	3,615,117	3,871,688
Real estate	2,062,722	2,062,194	2,055,120
Mortgages on real estate sold	567,829	569,591	539,768
Bank premises	5,677,406	5,678,853	5,645,017
Other assets	2,420,619	2,124,683	2,501,861
Total assets	352,274,880	356,539,468	$329,512,330
Loans to directors or their firms	$6 897,049	$ 7,079,839	$ 8,159,958
Average amount of specie held during the month	8,743,943	8,771,666	8,315,777
Average Dominion notes held during the month	17,462,464	17,455,407	14,585,407
Greatest amount of notes in circulation during month	39,077,427	42,401,336	36,295,483