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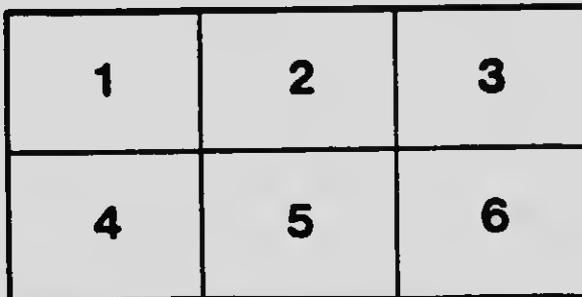
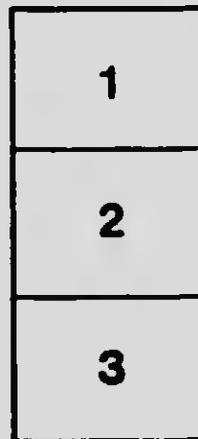
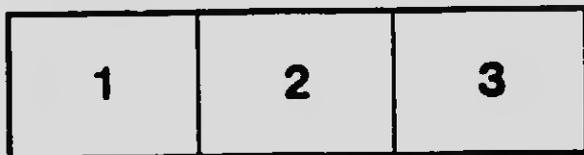
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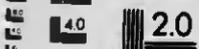
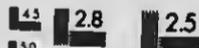
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THE BANK OF TORONTO

RULES
AND
REGULATIONS



1ST MARCH, 1915.

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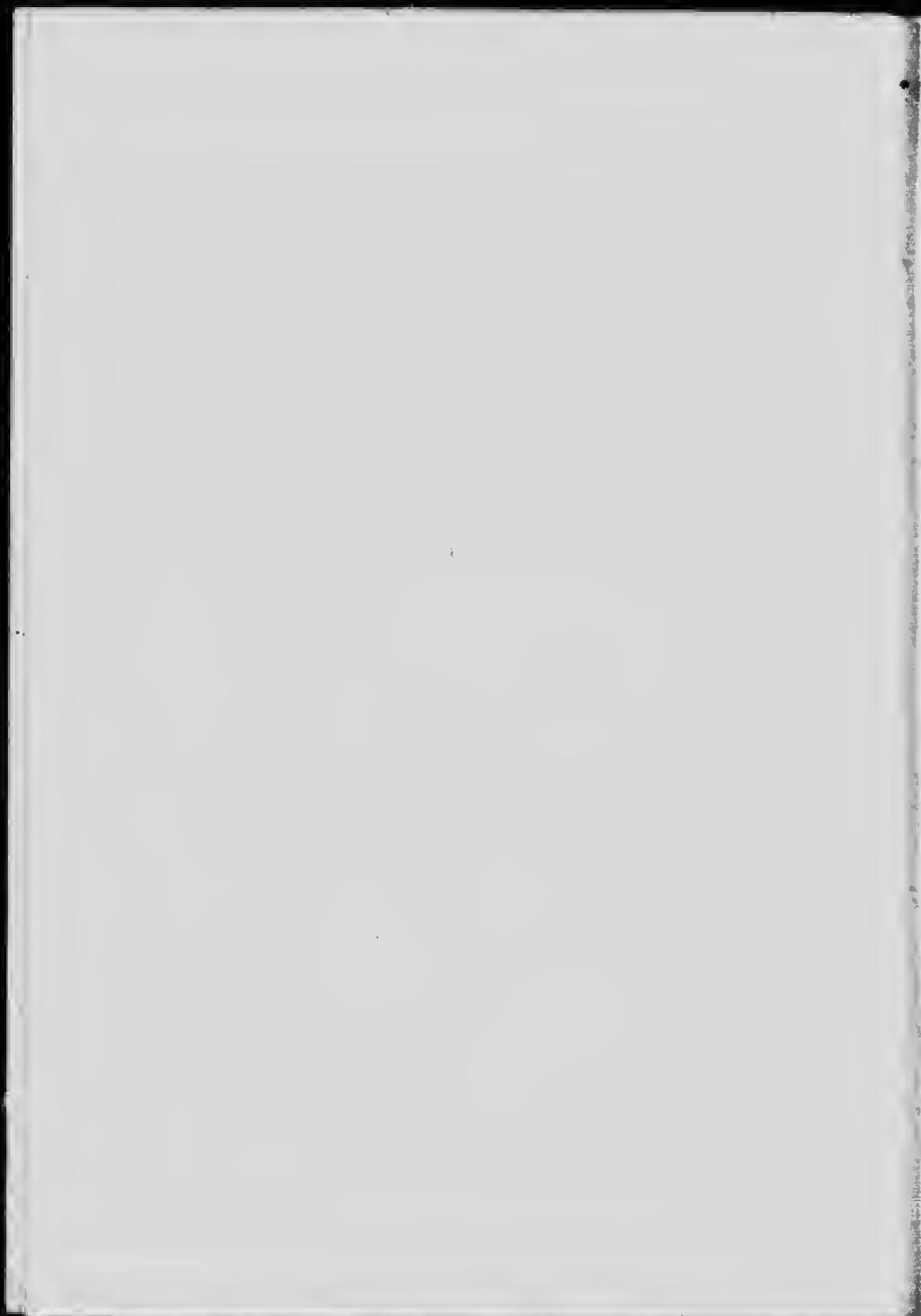
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The Bank of Toronto

RULES AND REGULATIONS

SECTION I.

GENERAL RULES.

1. The Manager shall see that every officer is provided with a copy of these Rules and Regulations. Every officer must be prepared to produce his copy whenever called upon to do so.

2. The book of Rules and Regulations is the property of the Bank, and must be surrendered when an officer leaves the service.

3. Whenever in these Rules a duty is imposed on any officer, it is to be understood that in his absence it shall be devolved upon the officer who is acting on his behalf or in his stead.

4. It is the duty of every officer to acquaint himself with these Rules. No departure from them will be permitted without direct authorization by Head Office.

5. Circulars from the Head Office are to be handed to the officers for perusal, each officer certifying that he has read it by affixing his initials, and afterwards they are to be copied or pasted into a book kept for the purpose.

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6. The Circular Book and the Manual of Security Forms must be accessible to the Staff.

7. The Manager and the officers are to be at their respective posts by 9 o'clock a.m., that the calling off, checking of vouchers and other general work may be properly performed before the hour of commencing business.

8. The work of each day is to be completed on that day.

9. Erasures of any nature, or for any purpose, on the books of the Bank, are prohibited.

10. When alterations of any kind in a book become necessary, they are to be made by neatly ruling out the incorrect word or amount, and writing the correct word or amount above.

11. Errors in striking balances should be made clear by a small cross opposite the error and another cross opposite the correction.

12. It must be a standing rule that the book which is checked must be checked by some officer other than the one who has made the entries.

13. Remittances of money or securities are to be advised on the day they are sent, and acknowledged on the day they are received.

14. The registered letter book must never be left at the Post Office, nor the express book at the Express Office.

15. All the officers of the Bank must consider themselves pledged to observe the strictest secrecy on the subject of *all* transactions of *every* description of the Bank with its customers, or with *any*

RULES AND REGULATIONS

persons, firms or companies, and on the subject of the accounts of *all* persons, firms or companies having accounts with the Bank.

16. The slightest deviation in the books or returns, from the actual true position which they ought to show, or the withholding or suppression of any facts of which the Head Office ought to be made aware, will result in the most serious consequences to the transgressors.

17. Telegrams, lawyers' fees, travelling expenses and similar expenses, incurred in connection with the Bank's customers, should be charged to them, and such recoveries should always be made at the moment; later they might be called in question and lead to annoyance.

18. All cheques on your office received from our Branches or Correspondents for which there are not sufficient funds must be protested unless a "no protest slip," which should be duly confirmed by letter, is attached.

19. In the case of cheques of \$10 and under, this provision may be waived.

20. In the case of cheques, for which there are funds, being returned for some informality in the endorsement or a similar reason, they must in all cases be accepted before being sent back for correction.

21. All engraved forms not in use, such as drafts and deposit receipts, must be kept in the safe or under lock and key in the vault, except Bank Money Orders, which must invariably be kept in the Treasury.

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22. Settlements of amounts due from other Banks should be made on Balance days, or as soon as the amount due us exceeds \$2,000.

23. When a cheque is crossed "Negotiable at par" through any Branch for an ordinary customer, it is expected that the usual commission will be charged.

24. The question of exchange is a vital one, and we cannot afford to surrender profits to people who make no corresponding returns.

25. Every bill, note or other instrument lodged with the Bank, whether for discount, collection, as collateral or otherwise, must be registered under a number before the business of the day is over, so that no unrecorded item may be placed at night in the Bank's vault or safe.

26. When it becomes necessary for a Branch of the Bank to guarantee an endorsement, the words "Endorsement Guaranteed," shall be written or stamped under the signature in question, and signed on behalf of the Bank by the Manager or Accountant. No other officer is permitted to give such a guarantee.

27. The Express Company's receipt or Post Office registration certificate for all cash remittances must be seen by the Teller and Manager or Accountant on the day they are despatched.

SECTION II.

STAFF—GENERAL.

28. Courtesy of manner, especially on the part of those having dealings with the public, is expected from every officer in the service. It shall be the Accountant's duty to report promptly to the Manager any deficiency in this respect on the part of any officer.

29. Officers are expected to dress neatly, and to pay careful attention to their personal appearance. There can be no excuse for appearing unshaven or slovenly while on duty.

30. The holiday lists should be made up in April, so that, as far as possible, all the holidays will be over by the Autumn.

31. When an officer is removed from one Branch to another, his reasonable travelling expenses will be paid by the Branch to which he has been sent, and one or two days' expenses at an hotel will be allowed, if necessary, while the officer is seeking permanent lodgings. A detailed statement of his expenses must be submitted to the Manager.

32. When an officer is sent to a Branch to relieve, his travelling expenses, and, in addition, the difference between his living expenses at the point at which he is relieving and the place where he was last regularly stationed, will be paid by the Branch at

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which he is relieving. If he is relieving at a Branch on pay day his salary will be paid by that Branch, subject to the regular adjustment in accordance with paragraph 37, except in the case of the smaller Branches who will receive instructions on application to the Chief Inspector or Western Superintendent.

33. An officer ordered for duty elsewhere may charge, in his moving expenses, the cost of a rented room for the unexpired portion of the period for which payment must be made.

34. When an officer is transferred from one Branch to another, he must proceed to his destination without delay, unless his departure at a later date is sanctioned by the Chief Inspector or Western Superintendent.

35. Officers transferred from one Branch to another must be furnished with a letter of introduction on the regular form, from the Manager of the Branch they are leaving to the Branch to which they are removed.

36. Where the rules in connection with officers' moving and relieving expenses seem to work unfairly, the case will be specially dealt with on application to the Chief Inspector or Western Superintendent.

37. Salaries and living allowances for the calendar month will be paid on the 20th of each month. The full salary for the month is to be paid by the Branch to which the officer may be attached or be in transit to on that day. If an officer has served at more than one Branch during the month, each Branch will have to pay its proportion of his salary. One salary sheet will be used and forwarded to Head Office as

RULES AND REGULATIONS

at present, but the Branch paying the salary on the 20th of the month as already mentioned will debit the Branch from which the officer came with the proportion of the salary due up to and including the day he left. If an officer should be moved between the 20th and the end of the month, the Branch which he leaves may debit the Branch to which the officer is sent with the portion of his salary from the date he leaves up to the end of the month. No adjustments will be made for less than seven days' salary or for a sum less than \$10.

38. An officer whose vacation will cause him to be away from the office for the last two weeks of the month, may be allowed, at the discretion of the Manager, to draw his salary for the current month which would be due him on the 20th. In such cases the officer's receipt should be taken on the regular Salary List form which shall at once be sent to Head Office and the amount debited to Expense Account. The officer's cheque must not be charged to Remittance Account pending the crediting of his salary on the 20th.

39. No officer of the Bank shall, either directly or indirectly, enter into any trade, mercantile or other business, agency or office whatsoever, either in his own or another name. Nor shall he become a party to any negotiable paper, or give, or enter into any personal security whatever, other than his security to the Bank, unless the sanction of the Bank, acting by its General Manager, has been obtained.

40. Officers resorting to the practice of kite-flying by exchanging cheques or promissory notes with anyone, will be severely dealt with.

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41. If any officer is incompetent, or if his conduct is not such as becomes his position, the Manager will report the facts to the Chief Inspector or Western Superintendent.

42. The Manager is also to notice any indications of superior ability in the members of his staff and report the same when a suitable opportunity offers.

43. The conduct of the officers of the Bank when not on duty should be carefully noted, and if the Manager perceives or hears of any irregularity or extravagance the facts should be reported in a confidential letter, and it will receive such attention as the case may require.

44. An officer of the Bank becoming involved in debt or being engaged in stock or other speculations, or resorting to gaming rooms or disreputable places, shall be liable to immediate dismissal.

45. No officers of the Bank other than the Head Office executive officers, Managers or Assistant Managers, are to keep accounts in the Current Accounts Ledger.

46. No overdrafts in these accounts will be permitted.

47. Interest may be allowed on the accounts of the officer of the Bank in the Savings Department on their own money and in their own name only, at the rate of 4% per annum.

48. Managers must not give letters of recommendation to officers who are leaving, or who have already left, the service. Matters of this kind must be referred to the Chief Inspector or the Western

RULES AND REGULATIONS

Superintendent, with any letters of enquiry and the Manager's information on the subject.

49. The marriage of an officer in receipt of a salary of less than \$1500 per annum, exclusive of allowances, will not be sanctioned by the Bank, although requests for some modification of the rule will be considered, prior to marriage, in the case of officers in receipt of a salary of not less than \$1300, exclusive of allowances, where special circumstances exist which appear to warrant exceptions being made.

50. It will be held, in future, to be the duty of Accountants and Teller-Accountants having knowledge of suppression of overdrawn accounts, or of incorrect or false returns or statements to be forwarded to Head Office on the authority of, or with the connivance of, Managers, to report the same with all particulars to the Chief Inspector or the Western Superintendent, as the case may be.

51. Officers holding the rank in the service mentioned, will be held strictly responsible as to the discharge of their duty. Any instances of violation of the above rule will be severely dealt with.

52. Every officer should cultivate a readable signature and initials, and avoid a careless and illegible style of writing. In arranging for promotion, an officer who writes plainly and legibly will be given the preference, other claims being equal, while a marked deficiency in this respect will prove a serious barrier to advancement.

53. Managers and Accountants must take particular care to correct the handwriting of officers under their supervision.

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RULES AND REGULATIONS

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49. It must be clearly understood that the marriage of an officer in receipt of a salary of less than \$1,000 per annum, exclusive of city or Western allowances, is not sanctioned by the Bank, and the resignation of any officer infringing this rule may be demanded.

50. It will be held, in future, to be the duty of Accountants and Teller-Accountants having knowledge of suppression of overdrawn accounts, or of incorrect or false returns or statements to be forwarded to Head Office on the authority of, or with the connivance of, Managers, to report the same with all particulars to the Chief Inspector or the Western Superintendent, as the case may be.

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**SPECIAL INSTRUCTIONS TO MANAGERS
AND ACCOUNTANTS.**

MANAGER.

54. It shall be the duty of a Manager when he assumes the charge of a Branch, to count the Cash, both that in the hands of the Teller and that in the Treasury; to take over the Bills Discounted, Past Due Bills, Bills in Suit, Collateral Notes and Bills held for collection; to satisfy himself that they are in order; to compare them with their respective Diaries and Maturity Books, and to see that all are accounted for; to examine the Securities Register, and to see that all securities held as collateral and for safe-keeping are properly entered and are passed into his possession; to examine all securities held, to see that they are in order; to personally ascertain the safe custody of the duplicate keys, and to make a thorough inspection of all the affairs of the Branch. The General Manager must be advised without delay of the result of these examinations.

55. On the completion of his inspection he shall, at his leisure but without unnecessary delay, read carefully the files of the Special Correspondence with Head Office for the previous two or three years, that he may be able to thoroughly understand the business of the Branch and the attitude of Head Office towards it.

56. The Manager shall have charge of the general business of the Branch to which he has been appointed, subject to the orders of the Board or the instructions received from the General Manager.

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57. The Board of Directors look to the Manager not only for the efficient discharge of the duty more immediately connected with his department, but also for a constant and vigilant superintendence over every department of the business, and over the department and conduct of the officers both in and out of the office. It will, therefore, not be admitted by the Board of Directors as an excuse on the part of the Manager, or of the officer acting in his absence, for neglect or irregularity in any department of the Branch, that such neglect or irregularity was occasioned by the default of any officer, unless it shall clearly appear that there was no relaxation on the part of the Manager, or officer acting for him, and that such neglect or irregularity, if of a serious character, was at once reported to the General Manager. The Manager and Accountant have duties to perform in some respects independent of each other, but nothing in these instructions must be construed in any degree whatsoever as relieving the Manager of responsibility over everything that occurs at his Branch or as infringing upon the control of the Manager over the Accountant and other officers.

58. The Manager will see that proper discipline is maintained in the office, will arrange the division of work, and see that his subordinates perform their duties in a thoroughly efficient manner. He will see that proper checking of the work is done in accordance with the rules hereinafter laid down.

59. In case the Manager should find it necessary to be absent, he will advise Head Office or the Western Superintendent, making such arrangements and leav-

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ing such instructions that the business can go on without interruption.

60. The Manager will make himself acquainted with the Bank Act, Bills of Exchange Act, and the Acts relating to the transmission of Real Estate and Mortgages thereon, Timber Limits, Chattel Mortgages, Insolvency and Insurance, and every other matter which relates to the security which can be lawfully taken by a Bank.

61. The Manager must see all correspondence.

62. The Manager should keep a report book, entering therein his opinion as to the standing, character and business habits of business people in the vicinity, and he is to keep it closely written up with any reports which he may hear to affect such standing.

63. The book should contain, also, reports he may have given on parties about whom enquiries have been made.

64. It is a matter of importance that this duty shall be attended to with care and regularity, as the information becomes of the utmost importance to succeeding Managers.

65. The Manager shall keep himself informed of the general news of the neighborhood, forwarding to the General Manager any information interesting to the Bank.

66. The various returns required by Head Office are to be forwarded in due time, and for their contents the Manager will be held responsible.

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67. It shall be the duty of the Manager, either individually or in conjunction with the Accountant or other competent officer :

- (a) To compare carefully each day with their respective vouchers all the entries in the Cash Book and Supplementary Cash Book, enquiring into the regularity of endorsements on the vouchers.
- (b) To examine the signatures and endorsements on all cheques and vouchers paid on the previous day, and observe particularly the destination of the proceeds.
- (c) To compare all credit entries with the Registers and other records of original entry, and to satisfy himself that all commissions due are credited exchange.
- (d) To see that the proper entries have been made in the Collection Register and Collection Diary, in the Cash Book and in the Deposit Ledgers, for all items received or advised in the correspondence.
- (e) To see that the additions and extensions are correctly made in the Cash Book and books of original entry.
- (f) The performance of these duties must be attested daily by the initials of the Manager or Assistant Manager in the Cash Book opposite the balance to be carried forward.
- (g) At Branches where the Accountant performs the duties of Teller, the Manager must make the comparisons referred to without the assistance of the Accountant.
- (h) Every entry made in the Cash Book, Supplementary Cash Book, Entry Journal and Discount Blotter for Current and Savings Accounts must be compared with the Ledgers before 10 o'clock on the following day by the Manager, with the assistance of an officer other than the Teller or the Current Account or Savings Ledger-Keeper.
- (i) The comparison of all entries in the Savings Ledger must be attested by the initials of the Manager, Accountant or other officer authorized by Head Office, opposite each entry.
- (j) Entries in the General Ledger shall be compared by the Manager or, in the larger offices, by the Accountant.

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(k) When the vouchers have been checked, the Manager will see that the cheques, drafts and Savings Bank Receipts are cancelled with the perforating stamp supplied by Head Office, so as to preclude the possibility of their being used a second time. They must then be delivered to the proper officer to be filed away.

68. In cancelling these vouchers care must be taken not to cancel notes attached to charge slips for the purpose of their being charged back to a customer's account.

69. Commission collected by the Teller on cheques, drafts, etc., payable at places where the Bank has no Branch, and sent in with the Cash Deposits to other Banks, must be credited to Exchange at the close of day.

70. The Manager when examining the Teller's Cash must examine the cheques on which the Bank is entitled to receive commission, and verify the correctness of the Credit Slip.

71. The Manager, or officer acting in that capacity, shall examine the Teller's Cash Balance Book daily, and shall compare the balance of cash as shown there with the amount as shown in the General Cash Book, and shall initial the Teller's Balance Book Daily, and require an explanation to be made to him of all discrepancies or irregularities. A memorandum of this explanation must be in writing in the Teller's Blotter with such details as will make the transaction perfectly clear to the Inspector on his next visit.

72. The Manager shall see that all blank draft forms in daily use are locked in the safe at the close of each day's business.

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73. He must also examine the cash in the presence of the Teller each day before locking up. He must examine and count the number of bundles and check them off with the Teller's Balance Book, and also verify any other large items included in the total, and check the additions of the Balance Book.

74. This must be done in such a manner that he may satisfy himself as to the accuracy of the cash within an amount of \$500 or \$1,000 at most.

75. The Manager and Teller together must place the cash in the box and see it locked in the safe.

76. At irregular intervals not greater than 60 days apart, he shall verify the cash in the Teller's hands by actual count, and shall certify this over his own signature in the Teller's Balance Book.

77. The Manager must each day examine the cheques of other Banks, in the Teller's possession.

78. It is the duty of the Manager to see that advice of all remittances of cash is promptly sent under separate cover, and an acknowledgment duly received. He must also satisfy himself that the person giving a receipt for the parcel in the receipt book of the Express Company or Post Office is duly authorized to do so.

79. It is not within a Manager's province to issue a credit authorizing a loan or discount at another Branch, or to discount paper for a customer of another Branch; such authorization can issue from the General Manager only.

80. Managers shall not, unless specially instructed to do so by the General Manager, allow customers or outsiders to peruse the official correspondence, either

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in part or in whole; it must be considered strictly confidential as between Head Office and Branches, or between Branch and Branch.

81. In this connection it is advisable, as far as possible, to avoid quoting Head Office as your authority in discussing your customer's affairs with him. Instructions must be fulfilled as between Manager and customers without reference being made to orders received from the General Manager.

82. The utmost care must be exercised in giving out information regarding the standing of customers and others. An unduly favorable expression of belief might result in the Bank being mulcted for damages, and an adverse report might bring suit from the person concerned on the plea that his credit had been injured.

83. Reports given out on the standing of parties must invariably be written on the special paper provided by Head Office for that purpose, headed "Confidential and without prejudice to this Bank or the writer."

ACCOUNTANT.

84. Under the direction of the Manager, the Accountant is required to exercise a vigilant and unremitting supervision over each department of his office, and see that proper discipline is maintained. He must satisfy himself that all books are properly kept, and the Ledgers, Cash Books, etc., properly balanced. He shall countersign all drafts, Letters of Credit, Deposit Receipts, and other documents requir-

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ing countersigning, and certify to the correctness of all Head Office returns, adjustments and statements.

85. He will be responsible for the accuracy of the books and accounts of the office.

86. He must consider himself a confidential officer of the institution, and, as such, will endeavor to fully inform himself in regard to the business of the Branch, and the standing of the customers.

87. The Accountant shall have access to all Head Office correspondence, so that he may inform himself regarding the business of the Branch sufficiently to take charge, if called upon, during the Manager's absence.

88. In the absence of the Manager the Accountant must see the Teller's cash locked in the safe each day.

89. The Book of Deposit Receipt forms is to be kept in the possession of the Accountant during the day, and placed in the burglar-proof safe over night.

90. Candidates for an Accountant's position are expected to be able to answer questions on such matters as Double Entry Book-Keeping, Bills of Exchange Act, Bank Act, customs of bankers and traders, and the subjects with which a good business man should be familiar.

SECTION III.

VAULT AND SAFE—CASH, TELLER, ETC.

101. The custody of the combinations and time locks is one of the most important trusts in the Bank. Every officer must understand that he will be held strictly to account for the intelligent observance of the following rules, and for the maintenance of the Bank's security as regards any point which may not be specifically covered by the rules:

102. The custody of the vault and safes must be so regulated that the co-operation of two officers shall at all times be necessary to afford access to safes. No officer shall communicate his combination or surrender his key to another, unless such transfer be rendered necessary by his absence or removal, and then in such a manner only as shall not impair the absolute division of custody above described.

103. No one outside the Bank should have any information as to the distribution or custody of the various keys and combinations, and, for this reason, no lock should be opened in the presence of anyone not connected with the Bank if it can be avoided.

104. The numbers of the upper combination lock of the Cash Safe shall be known only to the Manager and Accountant, or one of them; and those of the lower to only one, or not more than two, of the officers of the Branch other than those who are in possession of the combination numbers of the upper lock. If officers of the Branch occupy rooms connected with

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the Bank, the numbers of both upper and lower locks must not be known to any two of the officers occupying such rooms.

105. When the numbers of a combination lock are transferred to another officer, no matter for how short a time, the combination must be immediately re-set. The officer taking over the custody of the lock must understand that observance of this rule is necessary for his own protection. Each officer having charge of a lock is responsible to that extent for what it protects, and it is his duty to see, above all things, that, where joint custody is involved, it is impossible for the officer in charge of the other lock to learn his numbers. Unless he at once re-sets his lock on taking it over, he obviously cannot be sure of this since the numbers are not in his sole control. When a change in the numbers has been made, the correct numbers are to be forwarded on the day of the change to the Chief Inspector of the Bank by registered mail. Special envelopes are provided for the purpose, and these envelopes should be sealed with the officer's private seal. Advice is to be sent by separate letter.

106. Combinations of more than one lock of an outer door of a safe or vault must not be forwarded by the same mail.

107. When the numbers on which the combination is set are to be changed, care should be taken to choose such numbers as would not be readily guessed by any expert burglar who might attempt to open the safe.

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108. Irregular numbers that have no possible connection with each other should be chosen such as 19-42-67 or 11-26-59-83.

109. No change is to be made in the combination numbers unless ordered by the Manager, or under instructions from Head Office.

110. Any officer who re-sets a lock must not close the vault or safe door until he has satisfied himself by throwing the bolts and turning off the combination several times that it will open readily on the new numbers.

111. Where the compartments containing cash have two locks, the check key of the Teller's compartment shall be held by the Manager, and the check key of the Manager's compartment shall be held by the Accountant.

112. The duplicates of keys shall be deposited in a sealed envelope with another Bank for safe-keeping. The keys must invariably be sealed up by the Manager and Accountant personally, the package bearing a superscription of the following import: "Deposited by the Manager and Accountant of the Bank of Toronto Branch with the Bank, day of to be given up only on the joint order of the said Manager and Accountant or of the two officers at the Branch acting as Manager and Accountant at the time of surrender."

113. Envelopes for the purpose are provided by Head Office.

114. A receipt should be prepared beforehand ready for signature by the Manager of the Bank

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where the keys are to be deposited, which should expressly state that they will be surrendered only in accordance with the instructions given, and it is the duty of the Manager and Accountant to see that it is properly signed.

115. This receipt must be entered in the Security Book.

116. No person whatever, except the Bank's officers having charge of the keys and combinations for the time being, shall have access to the locks on the doors of the vaults and safes unless specially authorized by Head Office.

117. Keys for changing combination locks when not in use must be placed in the Treasury Compartment.

118. A record must be kept in a book provided for the purpose, of the hour when the Time Lock is set, and the record must be initialled by the officer who set it and the officer who checked it. The hour of closing the safe for the night should also be given.

119. Some or all of the combination locks should be changed as soon as possible after the visit of a man from the safe manufactory or of a Time Lock expert.

120. The door of the cash safe must never be left open. After the Teller has taken out his cash for the day, the door must be closed and the bolts shot, and the Manager's combination thrown. This will prevent any tampering with the combinations.

121. Under no circumstances may any of the Bank's books be left between the outer and inner doors of the vault over night.

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122. The Manager shall so arrange that the whole of the cash, except such as it will be necessary to place in the hands of the Teller for the current business of the office, shall be under his exclusive charge, and shall be kept in the Treasury Compartment.

123. All transfers of cash to and from the Treasury shall be duly recorded and initialled in the Treasury Book, which must be kept in the compartment along with the Treasury cash.

124. When a Branch has more circulation on hand than it requires, advice should be sent to Head Office, that instructions as to the disposal may be given.

125. When a supply is required the requisition for it should be forwarded so that the parcel will not lie in the Express Office or Post Office over a Sunday or a holiday, or be in transit over a balance day.

126. Express, postage and insurance charges on all money parcels will be borne by the remitting office, except in the case of parcels ordered by the receiving office, when these charges will be paid by the latter.

127. Remittances of surplus cash must be forwarded so as to reach their destination not later than Friday of each week, as Friday is Balance Day.

128. Remittances of other bank notes must be forwarded so as to reach Toronto, Montreal, Winnipeg or Vancouver not later than Thursday of each week, as notes received after Thursday cannot be cleared until the following Monday.

129. Arrangements for cash must be made so that the parcels will not at any time lie in the Post Office or Express Office over a holiday or a Sunday, and

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also that they shall not reach Toronto or any other of our large Branches on the last day of the month, or be in transit Friday night or the end of the month.

130. When a remittance of money is received from another Branch or from any other source, the seals should be carefully examined before a receipt is given to the Express Company or Post Office, and, if they are broken to such an extent as to make it possible that the package has been tampered with, it should be counted in the presence of the Express Company's employee. Care must be taken in every case to preserve the wrapper in which any money remittance is received until the parcel has been counted and verified. In opening a parcel of money care should be taken not to break the seals. The wrapping should be cut, not torn, so that the intact sealing may be used as evidence of the amount originally enclosed in the parcel.

131. Parcels of cash to be sent by Post must, in accordance with the regulations of the Post Office Department, be securely tied, then a wrapper of the Kraft brown paper to go at least twice around the parcel be put on and tied. The whole to be enclosed in an outside wrapper of linen lined paper, which is to be tied and sealed. Both kinds of paper will be supplied on application, by Head Office.

132. In the case of money sent by mail the amounts must not be shown on the parcels.

133. Money parcels, Bonds and other Securities may be transmitted by express or registered mail insured. Economy will direct the means of transmission.

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134. In transmitting parcels by registered mail, the conditions imposed by Insurance Companies must be fully carried out, as non-compliance would materially affect the Bank's position.

135. All money parcels by Registered Mail must be called for at the Post Office by two officers previously designated by the Manager, and they shall duly receipt for the parcel.

136. The Express Companies deliver at the Branch to which they are addressed any money parcels sent through them.

137. All money parcels despatched whether by Express or Registered Mail Insured, must be delivered at the Express Office or the Post Office by two officers.

138. Parcels of money or securities to be sent by Express must be marked on the outside with the full monetary value of the parcel and must be delivered at the office of the Express Company as no officer of the company is authorized to receive money parcels outside of the Express Office, and the company denies liability in the case of such parcels if they should be lost before reaching the company's office.

139. Remittances of notes by mail to the United States must not be too bulky to be enclosed in an envelope. United States postal regulations forbid transmission of sealed parcels through the mails in other than letter form, and the Canadian regulations, in consequence, direct that such parcels addressed to places in the United States shall be sent to the Dead Letter Office.

140. Notes of the local Banks must be exchanged daily.

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141. Express parcels and deposits for other Banks must invariably be taken out by two officers, and the entry in the passbook, acknowledging the latter must be initialed by the Accountant. At Branches where the staff consists of three officers only, this duty must be performed before or after banking hours.

142. When a note of the Bank, so mutilated as not to be reasonably entire, is presented for payment, it must first be referred to Head Office, accompanied, if possible, by a Statutory Declaration which may be drawn up by the Manager or Accountant, and must be signed by the owner or other person having knowledge of the facts, stating how the note was mutilated and what has become of the missing parts. If other people besides the owner were present at the time of the mutilation, their verification of the statement should be obtained in writing. What is required is a reasonable amount of direct evidence that the missing portions of the bill have actually been destroyed. Without some proof of this kind mutilated notes cannot be redeemed at their face value.

143. The reason for this, is that portions of notes of large denominations are constantly being used by swindlers to "raise" notes of smaller denominations.

144. From day to day all soiled or mutilated notes must be removed from those which are to be re-issued, and the Manager shall see that this duty is performed with judgment and thoroughness. Unissuable notes sent to Head Office for destruction should be straightened out and put up as neatly as possible. The notes must be divided into denominations of \$5, \$10, \$20, and \$50, and each denomination sub-divided into

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letters, and each division and sub-division tied separately with twine. A specification shall accompany each lot of notes forwarded in the following form:

(Say)	10 x \$ 5.	B	
	20 x 5.	C	
	50 x 5.	D	
	<hr/>		
	80 x \$ 5.		—\$400.
	<hr/>		
	15 x \$10.	B	
	5 x 10.	C	
	<hr/>		
	20 x \$10.		—\$200.
	<hr/>		
	10 x \$20.	A	
	10 x 20.	B	
	<hr/>		
	20 x \$20.		—\$400
	<hr/>		
	5 x \$50.	A	
	15 x 50.	B	
	<hr/>		
	20 x \$50.		—\$1,000. \$2,000.

145. The amount forwarded must be advised at debit of Head Office on the day of the remittance. The branches at Toronto, Montreal, London, Winnipeg and Vancouver will forward mutilated notes to Head Office as soon as these amount to \$5,000. All other branches will forward when the amount on hand reaches \$2,000.

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146. In redeeming parts of mutilated Dominion Notes the following is the scale:

- Less than two-fifths of a note....Nothing.
- Over two-fifths and not over three-fifthsHalf value.
- Over three-fifthsFull amount.

Soiled or mutilated notes of the Dominion of Canada (legal tenders) transmitted for redemption must not be mixed with notes which are perfectly whole and comparatively clean.

147. In making up parcels of mutilated Dominion Notes for redemption at the different Receivers General Offices, care must be taken to see that the notes are all straightened out and put up as neatly as possible.

148. The attention of officers of the Bank is directed to the clause of the Bank Act respecting counterfeit notes, which reads as follows:

“Every officer of any Bank and every person acting as or employed by any Banker shall stamp or write in plain letters upon every counterfeit or fraudulent note issued in the form of a Dominion or Bank Note and intended to circulate as money which is presented to him at his place of business the word ‘Counterfeit,’ ‘Altered,’ or ‘Worthless.’ If such officer or person wrongfully stamps any genuine note he shall upon presentation redeem it at the face value thereof.”

CASH—TELLER, ETC.

149. One of the essential requisites for an officer filling the position of Teller is a courteous manner towards the public.

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150. The Manager is strictly to observe that the Teller never has a surplus of cash on hand.

- (a) OWN NOTES: Except at some of the larger offices \$20,000 is to be the maximum of all denominations at any one time. In the small branches \$10,000 is to be the limit.
- (b) LARGE LEGAL TENDERS are to be lodged in the Treasury Compartment of the safe under the custody of the Manager.
- (c) GOLD: As it accumulates is to be withdrawn by \$1,000 to form part of the Manager's cash. A Teller is not to hold more than \$1,200.
- (d) MUTILATED BILLS: When they reach \$1,000 are to be withdrawn, and form part of the Manager's cash.
- (e) SUNDRY BILLS are to be forwarded weekly. Should the accumulation for the week exceed \$4,000 they shall be forwarded oftener.

151. The Teller will be held responsible for all cash committed to his care, and for the accuracy of all receipts and payments over the counter.

152. All differences in the Teller's cash must be promptly looked for, and, if not discovered, must be arranged within three days. In the case of a deficiency, the Teller must make the amount good out of his own pocket. If there is a surplus the amount shall be credited to an account called "*Teller's Surplus Account*" in the Deposit Ledger. No debits shall be made in this account without the permission of the Manager, who will indicate it by his signature on the voucher, which must contain full particulars of the transaction.

153. Differences of \$20 or over which are not found within the three days, and are either made good by the Teller or credited to Teller's Surplus,

RULES AND REGULATIONS

must be reported to the Chief Inspector or Western Superintendent.

154. No portion of a money remittance received shall be mingled with the Teller's cash until the whole remittance has been counted, and, in the event of any deficiency or error being detected by the Teller, he shall immediately report the same to the Manager or Accountant, who shall thereupon at once examine and count the whole remittance. Advice must also be sent at once to the office or correspondent from whom the remittance is received, and the wrapper forwarded for their inspection if it should be required.

155. The Teller must keep the cash in his custody carefully sorted,—the notes of various Banks under their respective names and denominations, the specie according to its kind, etc. In this way his cash will always be in a position to be counted or handed over to another officer.

156. The Teller will prepare all money parcels, making out the necessary specification.

157. The parcel must then be counted by a senior clerk in the presence of the Teller. These two officers will then seal up the parcel, using two thicknesses of wrapping paper, initial the specification, and see that a receipt is obtained from a duly authorized employee of the Express Company or the Post Office. The officers employed to count and seal up the parcels must be able each for himself to make oath as to the sum enclosed.

158. A copy of the specification of the notes sent in a remittance must be kept until acknowledgment of remittance is received.

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159. Notes of other Banks to be deposited with the Local Banks must be checked in the presence of the Teller by another officer who with the Teller shall attest the performance of the duty by initialling the specification slip accompanying such notes. This duty should be performed immediately before the parcel is handed to the messengers for delivery, and it shall be incumbent upon such second officer to witness the sealing of the parcel by the Teller and its immediate passage from his hands to the Messengers'.

160. All deposits or moneys received for any purpose must be counted throughout by the Teller in the presence of the customer before any portion is sorted into the till.

161. This regulation is particularly for the protection of the Teller, as, when any portion of the cash received has been sorted away, it is impossible for him to substantiate any difference there may be in the amount claimed to have been handed in by the depositor.

162. Tellers must not cash or receive on deposit or otherwise, unmarked cheques on other Banks, or items payable out of town, unless they have been authorized to do so by the Manager.

163. Customers or others who are unable to write, and who sign by mark on cheques or other documents, must be identified to the satisfaction of the Teller, but in no case should the Teller witness the mark, which must be attested by an independent witness who should not be an officer of the Bank. In such cases the Finger Print System will be found specially useful.

RULES AND REGULATIONS

164. Always bear in mind that Bank Drafts, Express Orders and Circular Letters of Credit, etc., are all liable to forgery and alteration.

165. The Teller should carefully examine all cheques presented for encashment and be thoroughly satisfied that they are in order before making payment.

166. The Teller must insist upon the identification of every person unknown to him, to whom money is to be paid, and particular caution must be exercised in the payment of large cheques to any party presenting the same who is not known to be in every way responsible. In the event of there being the slightest doubt the Teller must refer the matter to the Manager.

167. In the case of "wages" or "pay" cheques, etc., where customers are in the habit of sending a representative or messenger for the money each week, if the amount is at any time larger than usual, care should be taken to see that the cheque has not been forged or raised.

168. The possibility of being victimized by confidential clerks or other employees of the Bank's customers by means of forged or raised cheques is ever to be borne in mind; a cheque for an appreciably larger sum than is customary, for which cash is demanded in payment, is in itself significant, and should excite suspicion. A cheque drawn payable to a customer of another Bank should, in the ordinary course of business, reach us through the other Bank, and such a cheque, even if payable to bearer, pre-

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sented to us over the counter for encashment should carry suspicion on its face and suggest enquiry.

169. Cheques payable to corporations or wholesale firms are not to be paid over the counter to an employee without express sanction to the Bank by the corporation or firm.

170. The Teller must not cash any cheque which has been torn in two and mended, without the consent of the maker. See Circular No. 1633.

171. Cheques which have been altered from "Order" to "Bearer" should not be paid without the authorization of the Manager.

172. Cheques purporting to be accepted by other Banks, if presented by strangers, must not be cashed.

173. *A personal identification is valueless without endorsement, and an endorsement equally so unless the endorser is able to pay.*

174. No identification is safe or satisfactory excepting the attendance at the Bank of a well-known and responsible person who endorses the cheque or other instrument in presence of an officer of the Bank. Any other ostensible identification or endorsement *may* be fraudulent. A person who forges the signature to a cheque, or raises the amount of a draft, or steals any negotiable instrument, might be presumed also to forge a letter of identification or an endorsement to serve the purpose of identification.

175. Always give the Bank the benefit of any doubt.

176. A written identification which purports to be that of an hotel-keeper or hotel clerk is especially open to suspicion.

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177. The Teller shall not cash any cheque until it has been certified by the Ledger-Keeper.

178. The Teller should be careful at all times to mark down on the back of cheques, etc., the denomination of the notes paid out, so that at the end of the day he could, in case of discrepancy in his cash, trace all payments, and thereby locate the denomination in which the discrepancy occurred.

179. The Teller's stamp showing the date of payment must be impressed on all debit vouchers and branch drafts at the time of payment. The final cancellation by means of the perforating stamp must be done after the vouchers have been examined by the Manager, and his comparison with the Cash Book, so that any voucher once thus cancelled could not be again passed through the Manager's hands. Care must be taken not to stamp or deface in any way any note, cheque, draft, etc., charged back unpaid to a customer's account.

180. Deposit slips after being initialed by the Teller, must be passed by him direct to the Ledger-Keeper and not handed back to the customer.

181. Deposit slips must, in all cases, bear the Teller's initials as an acknowledgment of the cash, and also as the Ledger-Keeper's authority for passing the amount to the Depositor's credit.

182. Where part of a cheque only is deposited to the credit of an account (a practice to be strongly discouraged) the signature of the customer on the deposit slip must be obtained to the amount withdrawn.

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183. The practice of placing unmarked cheques to the credit of a customer and making a pencil memorandum in his account to hold the funds for a specified time, or pending advice of payment, is forbidden. Such cheques are to be taken only on collection.

184. All these various checks on his work are largely for the protection of the Teller in that they lessen, as far as possible, the chances of loss from any outside source, and for this reason he must be careful to see that they are constantly exercised.

185. The special seal with which each Branch has been furnished must be used for the sealing of remittances of money and of debentures or other security payable to bearer. The Teller shall have the custody of the seal. It shall be kept in his cash box and deposited with it in the Teller's compartment in the safe at night.

186. On no pretext whatever shall any unpaid note, draft or acceptance be held as part of the Teller's cash over night, nor shall any cheque, I. O. U., or other obligation of any officer of the Bank be held by the Teller as part of his cash.

187. No Teller shall make any entry in the pass-book of customers or banks, nor in any of the books of the Bank except in his own Cash Book and Blotter. In such offices, however, as do not afford sufficient work to occupy a Teller's whole time, this rule may be modified at the discretion of the Manager, except in the case of entries in the passbooks of customers or banks.

188. The Teller must not permit any officer to enter his Telling Box except the Manager and the

RULES AND REGULATIONS

officer who may be authorized under paragraph 157 to make up or check money parcels with the Teller. The door of the box shall close with a spring and be provided with a spring lock opening on the outside with a key.

189. In the small offices where the Teller is permitted to leave the office for lunch, all of his cash shall be locked in his compartment of the safe, except a definite amount sufficient for the time of absence, which shall be counted and taken over by the Manager or Accountant. This sum, either in cash or vouchers, shall be taken over by the Teller immediately upon his return, together with any deposits that may be received, thus relieving the Manager or Accountant from further responsibility as to his cash, and continuing the undivided responsibility of the Teller.

190. Parcels received from local banks must be opened and the cash (if any) counted, and the amount compared with the slip, in the presence of two officers, in order that no question may afterwards arise as to the accuracy of the amount received, or as to cash having been received and not shown on the slip.

SECTION IV.

DRAFTS, COLLECTIONS, ETC.

201. All drafts and instructions for the payment of money must be signed by the Manager or by an officer authorized to sign as pro Manager, and countersigned by the Accountant or officer authorized to sign as pro Accountant. This rule applies to instructions to pay money sent to another Branch or Correspondent, or to a confirmation of a transfer of money by telegram.

202. The Accountant or Manager must initial the Register in the proper column when signing drafts.

203. Under no circumstances shall any officer sign a draft form in blank.

204. No one except a properly authorized officer is to be allowed to sign drafts. (For rule as to authorization of signatures see paragraph No. 250).

205. Memoranda of cancelled drafts must be placed against their respective numbers in the Register and initialled by the Manager or Accountant, the cancelled form being filed away for safe-keeping until the next Inspection.

206. Cancelled drafts on British or European Correspondents must be shown as cancelled on the next advice sent.

207. Drafts and their preparation should not be entrusted to any officer who cannot write a neat, legible hand.

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208. The written amounts of drafts must commence at the extreme left of the form, and figures for cents must appear immediately after the amount, not at the end of the line, and a ruled line must be drawn immediately following, thus:

“One Hundred and Fifty $25/100$Dollars.”

209. Fractional amounts in the margin should be quoted as a vulgar fraction, not as a decimal, viz.: \$150. $25/100$, not \$150.25.

210. No altered drafts shall be issued. Alterations are forbidden. If a mistake has been made the form must be cancelled.

211. Advices of drafts issued must be forwarded by first mail to the offices on which they are drawn. These advices must be compared with the Register and must be signed, not initialed, by the Manager or Accountant.

212. In the case of drafts issued on other Branches of the Bank to other banks in payment of collections, only the total is to be advised. This is necessary in order that the paying Branch may know the amount for which provision must be made. All other drafts issued must be advised in detail.

213. Where settlement of any important amount is issued, a memorandum giving particulars should be sent to Head Office.

214. Managers will advise by wire, drafts, crossed cheques and Letters of Credit involving payment by Branches of Ten Thousand Dollars or more.

215. To facilitate identification of payees who have purchased drafts for their own use, specimen

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signatures should be taken on the proper form and attached to advices. Neglect of this frequently causes much inconvenience to customers and loss of business to the Bank.

216. In the case of a sterling draft, the signature should be taken in duplicate, and the second specimen forwarded by the following mail.

217. When a draft has been lost, notice stopping payment must be sent at once to the Branch on which the draft is drawn.

218. In the case of a draft or a money order issued to a customer, and lost, a bond of indemnity against loss on form 118a must be submitted to Head Office or the Western Superintendent and approved before a duplicate draft may be issued to replace the one lost.

219. This duplicate must be issued under the old number and date with the word "Duplicate" written prominently on it in Red Ink, and advice of this must be sent to the office on which the draft is drawn.

220. An adjustment of Drafts Issued Account must be taken out in the Drafts Issued Register each month.

221. All Bank draft forms not in use must be kept in the vault under lock and key and shall be under the charge of the Manager except in the larger offices where it shall devolve on the Assistant Manager or Accountant.

COLLECTIONS.

222. All drafts received for collection on account of other Branches, banks or individuals, shall be registered at once in the Collection Register.

RULES AND REGULATIONS

223. Local collections must be presented for acceptance on the day they are received. As a rule, they may be left with the drawee 24 hours (apparently the law allows 48 hours), but they must not be outstanding without authority for a greater length of time than 48 hours, *vide* Bills of Exchange Act, Section 42.

224. Collections received for acceptance "on arrival of goods" must not be held an unreasonable length of time without instruction from or notice to the parties from whom received. The Collection Clerk should, if possible, keep himself informed as to the arrival of goods.

225. The Messenger or officer presenting bills for acceptance must have a courteous manner towards the public.

226. Where bills received for collection are drawn out of, but payable in, Canada, and the sum payable is not expressed in the currency of Canada, the amount shall, in the absence of some express stipulation, be calculated at the selling rate of exchange for Bankers' demand drafts. Otherwise, the amount is payable according to the terms expressed in the bill.

227. The Collection Register shall contain a full description of each item, with particulars of any instructions given by the owner, and a record of any documents or collaterals pertaining thereto.

228. Any bill not in form, or the acceptance of which has been refused, shall be returned to the owner without delay with or without protest according to instructions. The reason given by drawee for

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refusing to accept must always be given when it can be obtained.

229. When bills returned for non-acceptance or non-payment have documents attached for merchandise, or especially for produce or perishable goods, and there are no specific instructions, it is advisable to retain the documents and notify the owners by cable or telegraph asking for instructions as to disposal.

230. Railroad Receipts, Bills of Lading or other documents, shall be presented to, but not left with, drawees of bills, and shall be delivered only on payment of bill (unless other instructions have been given by the owner), except under authority of the Manager.

231. Prepaid bills must be so marked in the Diary and entered under date of payment.

232. Bills paid without acceptance must be entered in the Diary under date of payment.

233. Bills given to the Teller with the entries on the date of maturity must be initialled for by him in the Diary.

234. The Manager, or in the larger offices the Assistant Manager or Accountant, shall initial in the Register for, and have the custody of, all local collection bills, and see that each is accounted for, and that the fate of each is duly reported in either the Collection Register or the Diary.

235. In order to detect any error which may have been overlooked by the Collection Clerk, the acceptance, domicile, due date and Diary entries must be checked by the Accountant or a senior officer, and

RULES AND REGULATIONS

the bills shall then be sorted in order of maturity in the most convenient manner for reference.

236. Advice of payment and remittances for local collection bills must be made on the day of payment, and all bills unpaid must be protested at maturity, unless there are special instructions to the contrary, and returned not later than the following day. Unpaid bills not subject to protest must be returned the day they are due.

237. Bills received for acceptance and return are not to be held unaccepted more than 48 hours without instructions being received from or advice sent to, the owner of the bills.

238. Bills must be taken over by the Manager or Accountant daily, and initialed for in both the Register and Diary.

239. Receipts must be taken for bills returned to customers.

240. Under no circumstances are bills not paid to be left with the Teller.

241. All collections and collaterals left with the Bank must be endorsed by the payees as our authority for collecting the same.

242. Where the drawees reside at outside points the item must not be held longer than five days inclusive.

243. Once a draft is accepted and has been returned to the Bank or its representative, the cancellation of the acceptance must under no circumstances be allowed.

244. Customers' accounts must be credited with collections on the day they are paid, and credit advice

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slips giving full particulars must be sent to the customer at the same time.

245. When entering foreign bills in the Diary, care must be taken to indicate the Province as well as the place where they are payable, and also the Bank to which they have been sent for collection.

246. In the case of foreign bills lodged for collection or as collateral, if the only Bank at the place of payment is a private Banker the bill should be sent for acceptance and return *unendorsed*. If it is accepted it should be held until a few days before maturity before forwarding to the private Banker for payment.

AUTHORIZATION OF SIGNATURES.

247. Special advice of those officers authorized to sign as Manager or pro Manager, and Accountant or pro Accountant must be sent to:

National Bank of Commerce, New York, on Card 132 (3).

First National Bank, Chicago, on Card 132 (2).

London City & Midland Bank, Ltd., London, Form 132.

Head Office, Toronto, Card 132 (2).

The Bankers Trust Co., New York. (If Travellers' Cheques are issued direct by your office) Form 132.

248. Authority for the signature of the Manager will be sent by Head Office.

249. The Manager will provide Head Office with specimens of his signature on the cards for the pur-

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pose, and these will be forwarded by Head Office with the advice.

250. For the signatures of those officers who will sign as pro Manager, Accountant, and pro Accountant, the authority will be forwarded by the Manager on the form for the purpose.

251. When any change in the signing authorities below the rank of Manager is made, a new set of specimen signatures on the proper form must be sent, over the signature of the Manager, to each of the banks above mentioned, and to Head Office. Under no consideration must any such advice be signed by any officer below the rank of Manager.

252. No officer is to sign any draft or order to pay money unless his signature has been properly authorized.

253. If by accident such a thing should occur, a special letter of confirmation must be sent to the Bank on which the draft is drawn. *This letter must be signed by the Manager only*, and, should he be absent, particulars must be sent to Head Office, Winnipeg or Vancouver, with a request that such draft be confirmed.

254. In connection with the foregoing read Circular 1648.

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SECTION V.

DEPOSIT BUSINESS.

301. A charge should be made on all unprofitable accounts, and, in order to judge whether an account is unprofitable or not, a Manager must analyze the business of the Branch until he is able to tell with a fair amount of accuracy in dollars and cents just what an account costs the Bank to operate.

302. No new accounts shall be opened in the Deposit Ledger unless sanctioned by the Manager, or, in his absence, the Accountant, and he will, of course, satisfy himself as to the circumstances and character of the customer before accepting the business. The reason for this is obvious. The legal responsibility which the Bank must of necessity assume in accepting from customers in the ordinary course of business cheques, bills of exchange, etc., payable at other Banks, makes business with strangers risky out of all proportion to any possible profit to be derived.

303. This applies with equal force to all dealings with strangers who are not absolutely identified or guaranteed. A man whose business warrants any favors whatever is seldom unable or unwilling to produce absolutely satisfactory evidence of his bonafides.

304. Proper identification is also imperative in the case of cheques taken only for collection, as, if a cheque bears the Bank's endorsement stamp, in the ordinary course of business the paying Bank can

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hold us responsible if the cheque has been raised or the endorsements forged. See Circular No. 935.

305. A Deposit Ledger must be kept by a properly qualified officer other than the Teller or Cash Book keeper, who shall have as an essential qualification a courteous manner towards the public.

306. A specimen signature of every person opening an account in the Deposit or Savings Bank Ledger must be taken on the usual card. In the case of Savings Bank depositors the number of the customer's account shall be entered opposite the signature on the card. Signatures on all cheques must be critically examined by the Ledger-Keeper and Teller.

307. When a depositor cannot write, means should be adopted to insure future identification. Such a reference as "Well known to Mr. _____" is a convenient form.

308. A description of the party is also advisable as a means of identification. In entering a description it should be remembered that the officers at the Branch may be changed when the customer appears again, and the description, therefore, must be such as will enable the officers' successors to properly identify the customer. In the country Branches identification of local residents is usually easy, but in the city it is different. In such cases a system of taking an impression of the first three fingers of either hand of the customer is considered an absolutely certain identification.

309. Head Office will, on application, provide an outfit for this purpose.

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310. Every customer opening an account in the Deposit Ledger must be provided with a passbook bearing the usual printed notice, and a book of cheques. This does not necessarily apply, however, to out-of-town customers, copies of whose accounts may be sent to them monthly.

311. Ledger-Keepers will be held responsible for any deviation from the regulation laid down in connection with the opening of new accounts, and it is, therefore, their duty to see that the slip contains all the information required.

312. Ledger-Keepers are particularly requested to carefully enter the following information at the head of each page of each account in the Ordinary and Savings Bank Deposit Ledger.

- (a) The full name, Post Office address and occupation of each customer. If a married woman give full name of husband, if an unmarried woman give the name of her father, if a widow the fact must be stated.
- (b) A concise description of the personal appearance, or other mark of identification, of all customers who cannot write their names. Taking an impression of the finger prints on the signature card is a sure means of identification.
- (c) If a firm, the names of the partners, and, where there is a special partner, the particulars of the partnership and the date of expiry.
- (d) If a Trust Estate, the name of the Trustees.
- (e) If a farmer, his lot, concession and township, as well as his Post Office address.
- (f) Particulars of any Power of Attorney, giving date of same, name of party in whose favor granted and nature of powers conferred.
- (g) The names of officers or individuals authorized to sign on behalf of limited liability companies, partnerships, associations, corporations, etc.

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(h) Special care should be taken to enter correctly the description of benevolent and friendly societies, lodges and other bodies of the kind.

313. The signatures of officers of joint stock companies on notes, drafts, cheques, etc., must be always properly authorized by by-law; and no deviation from the properly authorized signatures can be permitted.

314. The signing officers of a joint stock company may not legally incur a debt by note or overdraft unless they are authorized by by-laws so to do.

315. When an account is opened a specimen signature of the depositor must be obtained on the usual signature card and placed on file for ready reference; if a firm or company, a specimen signature of each partner or of the properly constituted signing officers respectively shall be taken; if Power of Attorney is granted, a specimen of the attorney's signature as such must be placed on file.

316. When carrying forward an account, the debit and credit columns shall be added in ink, and the balance struck.

317. The Ledger-Keeper must not permit any overdraft whatever without the sanction of the Manager, such sanction to be evidenced by the initialing of cheques or by memorandum in the Ledger, and the Ledger-Keeper will be held responsible for any neglect of this rule.

318. Also, he will be responsible for the genuineness and correctness of all signatures.

319. The Ledger-Keeper must write the year and month at the head of date columns, and the day of the month for each day's transactions.

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320. Debit entries in the Deposit Ledger for notes or acceptances must be so indicated, and special entries must be charged by the name or particulars.

321. The Ledger-Keeper must not certify the cheque of any client of whose death he has heard, as, after death, any balance belongs to the depositor's estate.

322. The death or bankruptcy of a principal cancels all Powers of Attorney.

323. When a new Ledger is opened, care should be exercised that balances and full information are correctly carried forward, and the Manager or Accountant, or a senior officer duly instructed by one of them, shall, with the assistance of another officer, carefully compare the two books.

324. The account in the old Ledger should be closed with "Carried to new Ledger, folio," and the account in the new Ledger should open with "Forwarded from old Ledger, folio," or words to that effect.

325. No information regarding an account is to be given, excepting to a principal, or the authorized officials or agent of a customer, firm or company, without reference to the Manager.

326. Where a customer has two accounts, one of which is overdrawn while the other may be carrying a credit balance, large or small, the amount shown in the Overdraft Book is not to be the excess of the overdrawn account above the amount of the credit balance in the other account, but shall show the exact amount of the overdrawn account. In reporting this to Head Office, a memorandum should be made in the "Re-

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marks" column of the amount of the credit balance in the second account.

327. The balance of every account shall be extended at the close of each day's transactions.

328. At intervals during the month the Ledger-Keeper must prove his work by adding in pencil the debit and credit columns in the accounts in the Ledger in order to make sure that the balance as shown in the account is correct. At the end of each month the totals of the debit and credit columns in each account must be entered in red ink.

329. The Ledger-Keeper must not allow funds to be withdrawn which are marked as held against special liabilities, and balances at the credit of "Sales" or "Collateral" account, etc., must not be transferred or drawn without the authority of the Manager.

330. When an item has been posted to a wrong account the folio and name of the Ledger account where the corrected entry may be found must be shown in the margin to the left of the deleted figures, thus: Folio 53. Such alteration must only be made when discovered in the posting or calling over; otherwise correcting entries must be passed through the Cash Book or Journal.

331. Before accepting a cheque the Ledger-Keeper shall see that there are sufficient funds at the credit of the account to meet it; must satisfy himself that the signature is genuine; shall see that there is no erasure or alteration of the amount and that the sum in writing and figures corresponds; that the amount is closely written leaving no blank space which might admit of the amount being "raised" after the cheque

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is certified and that it is not post-dated nor the date too long past. He must also keep a close watch for any cheques payment of which has been stopped.

332. Cheques which have been altered or erased in any vital part must be refused and any blank space in the amount should be distinctly filled up. In accepting a cheque which has been carelessly filled in, the Ledger-Keeper should write across the face of the cheque the amount for which he has accepted it so that the same cannot be raised.

333. No cheque must be refused for lack of funds until the balance shown in the Ledger has been proved by the addition of the Dr. and Cr. columns.

334. All cheques, acceptances, notes, etc., certified ("marked") by the Ledger-Keeper, shall bear the folio of the customer's account and the initials of the Ledger-Keeper written as plainly as possible.

335. Any money standing at the credit of a depositor who has assigned for the benefit of his creditors cannot be withdrawn by any instrument signed by him, whether dated before or after the assignment, if presentation is made after he has assigned.

336. In every such case the funds can only be withdrawn by the legally constituted administrators of the Estate, and then only on the authority of the Manager.

337. Dishonored bills, acceptances and suchlike vouchers, charged to an account, must not be given up unless the customer's cheque has been received therefor, or the account verified and the usual receipt for cheques and vouchers received.

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338. If there are not sufficient funds in the account to retire such items, same must be charged to Notes Protected Account and held in overdue file. On no account must they be allowed to create an overdraft.

339. No entries must be made in any Deposit or Savings Bank Ledger by any officer other than the accredited Ledger-Keeper. All entries made in such Ledgers must be made from:

- (a) Cheques, acceptances, drafts, notes, etc., of customers.
- (b) Deposit slips initialled by the Teller.
- (c) Debit slips for items charged up, etc., initialled by the Manager or Accountant.
- (d) Debit and credit items passed through the Journal and Entry Journal and credits from the Discount Blotter and Proceeds Book.

340. The Ledger-Keeper must watch carefully for customers having the same or similar names, as there is always the danger of a mistake occurring between the two accounts. In such cases it is advisable to put a warning notation on the account as well as in the index, so as to attract the attention of anyone looking up the account.

ACCOUNTS WITH FIRMS.

341. When opening an account with a firm, Form 101A or 102A must be executed.

342. In the case of trading partnerships the partners are liable for the debts of the firm, and these forms may not be absolutely necessary in connection with the ordinary handling of the account, but we consider it advisable to have the form executed. With non-trading partnerships, however, such as

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Architects, Accountants, Insurance Agents, Barristers, these forms are essential.

343. With ordinary trading partnerships, unless the Articles of Partnership or the Wills of the partners provide for the carrying on of the business for a time, the execution of the Bank's form is absolutely necessary, as it contains a clause permitting the continued operation of the business until the surviving partners and the executors of the deceased partner can make satisfactory arrangements in regard to it.

344. The reason for this precautionary clause is that, under ordinary circumstances, the business in which a man is engaged at the time of his death must be liquidated by his executors, or, if he is a member of a firm, by the surviving partners, without the expenditure of further moneys. In most cases this would entail heavy loss, and, if the Bank were interested, the safety of its advance might be endangered unless the surviving partners were in a position to look after the liabilities of the firm.

345. The sudden liquidation of a business at any time would cause a heavy shrinkage in the value of the assets, and it is, therefore, for the protection of all parties concerned that we insist on the execution of the Bank's form containing the clause referred to.

ACCOUNTS WITH JOINT STOCK COMPANIES.

246. When an account of a Joint Stock Company is opened there must be filed with the Bank, certified by the proper officer (usually the President, Vice-President or Secretary) under the Corporate Seal of

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the Company, a copy of the by-law of the Company under which the Banking account will be operated.

347. This by-law should state what officers will sign and endorse cheques, notes, etc., on behalf of the Company, and care must be taken to see that the powers conferred are sufficient.

348. In this connection it must be remembered that a corporation differs from a partnership in that the former is absolutely restricted by the terms of its Charter, and its officers by the authority conferred upon them by the By-laws.

349. Where the Company proposes to borrow or to give security on any of its assets by way of pledge under Section 88 or otherwise, it is essential that the by-laws of the Company give *specific* authority to the directors to this effect as the authority conferred by the general by-laws authorizing certain officers to execute certain papers does not cover the other provisions of the Statute requiring certain proceedings to be gone through when borrowing money. So long as the power conferred is sufficient, we are not concerned as to the precise wording, though we prefer the form prepared by our Solicitors.

350. There should not be much difficulty in inducing a Company when passing a by-law to use the Bank's form, as the copy supplied to the Secretary will save them the trouble of drafting it. Form 108A, the memorandum re Banking By-laws, which will be supplied on application, gives in detail the procedure necessary for the directors and shareholders of a Company incorporated either under the Dominion or Ontario Act.

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351. After the Annual Meeting of the Company each year, the Secretary should, under the Corporate Seal of the Company, advise the Bank the names of the officers and directors for the current year.

OVERDRAFTS.

352. No overdraft shall be allowed without the permission of the Manager expressed in writing at the head of the account or by his initials on the cheque.

353. The attention of the Managers is directed to the serious danger which is involved in initialling cheques which create an overdraft and then handing them back to the customer instead of to the Ledger-Keeper for certification.

354. Lending by way of overdraft, however, is to be discouraged as far as possible, the chief reasons for objecting being:

Firstly: That it does not fix the customer's liability as indisputably as a note does. After the vouchers are given up at the end of the month the Bank must rely entirely on the certificate of account signed by the customer.

Secondly: That it leaves the date of re-payment uncertain and thereby tends to encourage laxity on the part of the borrower.

Thirdly: That the Bank, being entitled to expect every customer to keep a balance at his credit proportionate in amount to the extent of the services rendered him, is deprived by the overdraft of a legitimate source of profit.

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355. *The Ledger-Keeper* shall enter in the Overdraft Book daily the exact amount of dollars for every overdrawn account, except on weekly balance days when the exact amount of dollars and cents shall be entered.

356. The Manager shall report to Head Office in the Daily Statement of Defts Purchased on balance days the amount of *all* overdrafts. On other days only amounts of \$100 and over for the exact amount of dollars are to be shown in this list.

357. No overdraft is permitted in the Manager's account without sanction from Head Office.

358. In connection with overdrawn accounts it must be borne in mind that when the cheques are given up the Bank has no evidence of debt unless the customer's receipt for the cheques and certificate of balance has been taken. (See Rule 371.)

REMITTANCE ACCOUNT.

359. As the conditions at each Branch vary, it is not considered necessary to give minute and specific instructions with regard to the working of this account so long as the transactions connected with each deposit are clearly recorded and the balance of each transaction is clearly shown, but at the end of each month the account should be ruled off and the outstanding items carried below with their original dates when no change, and with the date of the last transaction when any change has been made, thus beginning the month's account with an exact statement of the balances comprised in the total of Remittance Account.

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360. Items that require, or are likely to require, several entries, should not be entered in Remittance Account. For such temporary transactions it is best to open small accounts using a half or quarter page in a part of the Ledger set apart for the purpose, and such petty accounts should be carefully indexed.

361. On no account is an overdraft to be created in Remittance Account.

CERTIFICATION OF CHEQUES.

362. All cheques drawn on the Branch must be accepted by the Ledger-Keeper before being paid or taken on deposit or in payment. No exception must be permitted to this rule unless under the express authority of the Manager.

363. Cheques shall not on any pretext be accepted or marked "good" by the Manager or other officer of the Bank until such cheques have first been posted by the Ledger-Keeper to the account on which they are drawn.

364. Cheques must not be crossed "negotiable without charge" at another Branch of the Bank without having first been posted by the Ledger-Keeper to the account on which they are drawn and the correct amount of the cheque stamped thereon by the Protectograph.

365. The certifying of a cheque by the Ledger-Keeper does not relieve the Teller of his responsibility when it is presented for payment. He should himself be satisfied that it is in order.

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366. The Ledger-Keeper's acceptance stamp must be kept under lock and key in the vault over night.

COLLATERAL ACCOUNTS.

367. Collateral accounts should be kept at the end of the Deposit Ledger, and withdrawals from such accounts must be initialled by the Manager.

BALANCING PASSBOOKS AND CERTIFICATION OF
CURRENT ACCOUNT BALANCES.

368. The passbooks should be collected from the customers before the end of each month, in order that they may be written up and balanced on the last day of the month. The Manager or Accountant, provided such Accountant does not act as Teller or as Deposit Ledger-Keeper, shall compare the balance in the passbook with the corresponding balance in the Deposit Ledger, attesting the comparison by placing his initials opposite the balance in the passbook as well as in the Ledger.

369. The passbooks, after being balanced, should be ready for delivery to the customers on the first business day of each month; there must be no delay, either then or at any time during the month, in entering up and returning them whenever applied for. On no consideration, however, shall a balanced passbook be returned until the balance has been compared and initialled by the proper officer.

370. Each balanced passbook when delivered to the customer must be accompanied by its relative certificate (regarding the correctness of the balance

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and the return of the cheques) carefully filled up by the officer who has balanced the book; and also by the cheques to date of balance. The certificate must be signed by the customer within a reasonable time and it is better to obtain it if possible when the cheques and vouchers are given up. In the case of out of town customers, the vouchers should be carefully compared by a second officer with the passbook or the copy of the customer's account before they are mailed, so that, in the event of their loss in the mails, or of a dispute with a customer, the Bank may be in a position to prove that the vouchers were despatched.

371. The certified forms must be checked by the Manager or Accountant with the Deposit Ledger *after signature*, and shall then be carefully preserved in monthly packages in the custody of the Accountant, and filed away in such order as will facilitate their immediate production, which may at any time become essential in support of the Bank's case in a suit-at-law.

372. Managers and Accountants are requested to bear steadily in mind that this certificate is equivalent to an adjustment of the account as between the Bank and its customer, and it is, therefore, desirable that as few balances as possible should remain uncertified. In the case of overdrawn accounts, it is absolutely essential that the certificate be promptly obtained as it constitutes the Bank's only evidence of debt after the vouchers have been surrendered. From time to time lists of uncertified accounts should be prepared and a strong endeavor made to bring about in each case the return of the cheques and consequent certification of the balance. Most of the difficulties which

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have arisen over this requirement have been largely due to the lack of a clear explanation to the customer.

SAVINGS BANK.

373. The practice of issuing cheques on Savings Bank accounts should be discouraged as far as possible; in fact, it should not be permitted at all unless the competition of other Banks in this respect renders an occasional departure from the rule advisable. In any event it will be well to insist upon not certifying cheques on the Savings Bank unless they go direct to the Teller for payment.

SAVINGS BANK LEDGER.

374. Sufficient space should always be allowed for an account, but, when it is necessary to carry one forward, it must become the last account and be under a new number, and the figures carried forward must be checked and initialled by the Manager or Accountant when calling off. When a loose leaf Savings Ledger is in use, the rules governing the use of the Loose Leaf Ledgers must be followed.

375. Savings Bank receipts after being marked by the Ledger-Keeper must be handed to the Teller and not given back to the customer.

376. The production of Savings Bank passbooks should be required when withdrawals are made. This requirement must under no circumstances be waived in the case of persons who are not well known to the Bank, without identification of the depositor to the satisfaction of the Manager or Accountant.

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377. Interest should be calculated on the minimum balance at credit of the account during each calendar month. No interest should be allowed in any month unless the account has been open for the whole month.

378. In the case of new accounts, however, opened in the early part of the month, or of deposits of unusual amounts in old accounts, Managers are accorded discretion to allow interest for the broken period, but no interest should be allowed unless the money remains on deposit for at least three months.

379. When a Savings Bank balance is transferred to another Branch, interest for the broken period to the date of transfer should be computed and paid. The Branch to which the account is transferred should also allow interest for the broken period there.

380. When interest is entered in any passbook the entry must be compared with the Ledger by the Manager or Accountant who will evidence this by his initials in the Ledger.

381. No interest should be deducted in lieu of notice; depositors are entitled to interest up to the end of the last calendar month completed at the date of withdrawal, whether they give notice or we dispense with it.

382. The interest on Savings Bank accounts which are closed during the financial half-year must be checked by a second officer, this checking being attested by the officer's initials in the interest column of the Ledger or on the debit voucher before the interest is paid.

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LOST PASSBOOKS.

383. Where the identification of the depositor is without question and you are fully satisfied that the passbook has been lost, a new passbook may be issued and an annotation of the fact must be made in the account in the Ledger. If the old passbook is found it must be filed in the vaults with the passbooks of accounts which have been closed.

CROSS ENTRIES.

384. No cross entries are permitted in the Deposit, Savings Bank or any other Ledger without an entry in the Journal or Cash Book under the authority of the Manager or Accountant.

JOINT DEPOSITS.

385. Where a deposit is made to the credit of two persons jointly, the form to be used is as follows: "John Smith and Jane Smith or either of them," and Form No. 100A must be executed by both parties.

386. The essentials of a joint deposit are that the funds be available at all times to either party.

387. Some customers occasionally desire that the funds be deposited in such a way that they are only available to one party on the death of the other. The law does not permit this and deposits on these terms must not be taken.

388. Overdrafts in these joint accounts are not contemplated and the forms do not give either principal power to create an overdraft.

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389. Where it is desired to change a one-name account to a joint account, or vice versa, the balance with interest added should be withdrawn by cheque or Savings receipt, and deposited to the credit of the new account.

BALANCING LEDGERS.

390. The Deposit Ledger must be balanced on the last day of each month, the Savings Bank Ledger on the third Friday of each month except at the end of each half-year when it must be balanced on the last day of the month, the balances being entered in the books supplied by Head Office for the purpose.

391. Where the number of Savings balances warrants it, the monthly balance of the Savings Ledger may be taken out on the adding machine on the forms provided by Head Office.

392. The Machine Balance list thus taken out must be compared with the Ledger by the Manager or Accountant and an officer other than the Ledger-Keeper, and the additions checked. It must then be signed by the Manager or Accountant and Ledger-Keeper and carefully filed in the vault in the loose leaf binder furnished for that purpose.

393. When the balances of the Deposit Ledger and the Savings Ledger are complete the certificate to this effect on the form supplied shall be signed by the Manager or Accountant and the Ledger-Keeper, and be forwarded to Head Office.

394. The balances as set out in the Balance Books must be compared with the Ledgers by the Manager or Accountant or under their supervision, and the

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summations of the Balance Books proved. The officer making the comparison will evidence this by his initials in the Balance Book. The Balance Books must remain in the hands of the officer making this verification from the time the checking is begun until the balance has been proved.

395. No Teller shall assist in comparing Deposit or Savings Balance lists, nor shall the Ledger-Keeper assist in the checking of the balances of his own Ledger under this rule, whether such Teller or Ledger-Keeper performs the duties of Accountant in addition or not.

396. The officer performing the Teller's duties shall on no account make any entries in the Deposit and Savings Bank Ledgers, nor shall he be permitted to balance or assist in the checking of these Ledgers.

397. In offices where the staff consists of three, including the Manager, this rule may be modified at the discretion of the Manager, but the Ledger-Keeper must not assist in the comparison of his own Ledger.

DEPOSIT RECEIPTS.

398. Every Deposit Receipt issued must be entered before being signed in the Register provided for the purpose or in the General Ledger if a Register is not used, and the Manager's initials must be placed opposite the amount both in the Register or Ledger and on the counterfoil.

399. Particular care must be taken to provide for the future identification of every person obtaining a deposit receipt. The signature must be taken on the

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signature card, and, if the party is illiterate, such a description must be given as will enable him or her to be properly identified should he or she present a receipt at a time when the officers of the Branch may have been changed.

400. In such cases the system of taking the finger prints of the depositor is particularly valuable for future identification. The impression of the first three fingers of either hand should be taken.

401. Deposit Receipts requiring any alteration whatever must not be issued, but on no account may they be destroyed. The forms must be cancelled and filed with the Paid Deposit Receipt forms until the next Inspection, when they are to be sealed up by the Inspector with the paid deposit receipts.

402. Before being paid, Deposit Receipts must be marked "Paid" in the proper column of the Register by the Manager or Accountant.

403. A Deposit Receipt should never be issued in such a form that it might be considered a negotiable document. Unless declared to be non-transferrable, such a receipt is merely a form of promissory note.

404. Under no circumstances shall any officer sign a Deposit Receipt in blank.

405. No Deposit Receipt shall be signed by any officer except those duly authorized to sign as Manager, pro Manager, Accountant and pro Accountant.

406. Calculations of interest on receipts must be checked by the Accountant or other experienced officer prior to payment, and the depositor's endorsement on the receipt must be compared with the

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specimen of his signature, the comparison being attested by the initials of the officer making it.

407. In the event of a depositor losing his receipt, he must, before payment is made by the Bank, provide the customary bond (executed by one or more responsible parties) for double the amount of the sum deposited, and Head Office is to be advised before payment is made. It will be observed that it is not, under any circumstances, necessary to issue a duplicate deposit receipt.

408. The payment of a deposit receipt by any Branch other than that at which the receipt was issued, without the authority of the latter, involves risk, and should not be done. (See Rules of the Canadian Bankers' Association respecting endorsements at the back of this book.)

DECEASED DEPOSITORS.

409. Except in the case of the small balance hereafter mentioned, the only person to whom the money at the credit of a deceased depositor can safely be paid is the executor of the Will of the depositor, upon whose application the Will has been admitted to Probate by the proper Court of the Province in which the payment is made, or an administrator appointed by the proper Court of that Province. The original Probate or Letters of Administration ought to be produced and a duly certified copy must be left with the Bank.

410. If the amount on deposit does not exceed \$500 the payment may be made pursuant to Section

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97 of the Bank Act. Summarized, that section authorizes payment upon production to the Bank and deposit with it of (a) an authenticated copy of the Probate of the Will of the depositor or of Letters of Administration of his Estate granted by any Court in Canada, Great Britain or any British Colony having power to grant the same, or (b) an authenticated notarial copy of the Will of the deceased depositor, if such Will is in notarial form, according to the Laws of Quebec, or (c) if the deceased depositor died outside of his Majesty's Dominions, of any authentic copy of the Probate of his Will or Letters of Administration granted by any Court having the requisite power in such matters.

411. If an application is made for payment upon the production and deposit of any such document as is mentioned in Section 97 it would be well to consult Head Office, unless the Manager, upon reading the Section, is thoroughly convinced that the document is one upon which the Section authorizes the Bank to act.

412. If the amount on deposit exceeds \$500 disposition of it may be made only on the production and deposit with the Bank of an authenticated copy of Probate or Letters of Administration issued by the Court of the Province in which the Branch of the Bank having the deposit is located.

413. Where the estate of a deceased depositor consists *solely* of a small deposit in the Bank, application is sometimes made by the heirs to have the money paid over to them without the production of any Will or Letters of Administration.

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414. Under the law now in force in Ontario and some of the other Provinces, however, the cost of obtaining Probate or Letters of Administration is so trifling in the case of these small estates that there is little reason for such a request.

415. Sometimes it is advisable to accede to such a request, but permission must first be obtained from Head Office or the Western Superintendent.

CASH BOOK.

416. The Cash Book shall be kept by a properly qualified officer, and in no case by the Teller, who shall himself keep a separate record of cash transactions as already provided for.

417. The Cash Book must be a correct daily record of all cash transactions.

418. Each Cash Book debit must be represented by a voucher bearing some other authority than that of the Teller.

419. Each credit must be represented by a voucher bearing the Teller's initials.

420. The Cash Book must be balanced before the officer who keeps it leaves the office for the day.

421. The Manager or Accountant shall subsequently, not later than the day following, audit the day's work through the channel of the Cash Book in the manner laid down in Rule 67, certifying by his initials to the book's absolute correctness in additions as well as entries.

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422. When calling the Deposit and Savings Ledgers the Manager or Accountant must tick the entries in the Deposit Ledger and initial them in the Savings Ledger.

423. The calling of the Cash Book to the Manager or Accountant must be by some officer other than the Ledger-Keeper.

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SECTION VI.

CORRESPONDENCE.

501. It is desirable that the Accountants, where regularly appointed as such, should be at all times thoroughly conversant with the business of their respective Branches, and to this end they should be allowed to peruse from day to day the special correspondence with Head Office.

502. Special letters to the General Manager should treat of only one subject on a page, and when there are more pages than one in a letter each is to be dated.

503. Letters received from, and copies of letters despatched to the General Manager or Inspector, referring to customer's accounts should be kept in a special file which may be designated "Manager's Reference File," and should be sorted under the name of the customer referred to therein. This plan permits quick access to instructions, and information regarding customers over several years back, and also preserves all letters of value from going into the ordinary letter file which may be destroyed in a few years. This file should be kept in the Manager's private custody, for reference of himself and Accountant.

504. All special letters to the General Manager dealing with the account of a customer, shall state at the top of the page the customer's name and the present credit granted, together with the present lia-

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bility, direct and indirect, and the security held. In cases where no regular credit has been granted, a concise statement of the customer's means is advisable. The General Manager may not have the first-hand information which the Manager has, and it takes time to look up records.

505. Communications from the General Manager which call for a reply must be dealt with promptly. In any case where, owing to a difficulty in procuring the necessary information, a delay of more than three days is likely to occur, the Manager should so advise Head Office.

506. Deeds and agreements sent to be executed under Seal must be accompanied by copies to be filed at Head Office, and these should be made on the usual printed forms where possible.

507. In forwarding documents for execution, a concise statement must be given of the circumstances under which execution is sought. In the case of discharge or assignment of mortgage, these particulars should include amount of mortgage, the amount to be paid to the Bank, and the debt to which the mortgage relates.

508. Letters to Foreign Correspondents of the Bank, as well as all other important communications, should be signed by the Manager personally.

509. A stamped signature of the Manager may be used for signing letters of a purely routine character. Such signature must be affixed to the letters by the Manager himself or by the Accountant, and be initialled by the one so affixing it. On no consideration may stamped signatures be attached to "At

RULES AND REGULATIONS

Credit" slips, formal letters, or letters containing instructions to pay money.

510. All letters written at the Branch must be entered in the General Register of Letters Despatched. This Register is provided with a column in which the postage on each letter is to be entered, and at least once a month the Accountant must prove the additions of this column and see that the sums already debited for postage have been properly expended.

511. The total number of postal cards despatched may be entered in the Register of Letters Despatched at the close of each day, instead of being entered separately.

512. Post cards may be used for the purpose of:

- (1). Acknowledging receipt of letters when nothing more is necessary than simple acknowledgment.
- (2). Asking for acknowledgment of letters.
- (3). Advising payment by number and amount only.

Names of individuals must not be given.

No communication of any other nature is to be made thereon.

TELEGRAMS AND CIPHER CODES.

513. The Cipher Codes are to be kept by the Manager or Accountant under lock and key and are to be placed in the burglar-proof safe over night.

514. The translation of messages in cipher must not be written on the message form.

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515. All messages despatched, whether in cipher or not, must be confirmed by first mail. Cipher messages must be confirmed by the translation.

516. All cipher messages, received or despatched, must be checked by a second officer, and this officer must initial the message in proof of this.

517. No transfer of money by wire may be made except by cipher, and an open telegram authorizing the payment of money is not to be honored. See also Circular 1648.

518. Circulars advising changes in or additions to the Telegraph Code should be kept in an envelope in the Manager's custody. They must not be fastened in the Circular Book.

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SECTION VII.

LOANS AND DISCOUNTS.

601. It has not been considered advisable to fix any definite sum up to which a Manager is authorized to advance on his own responsibility without previous reference to Head Office. Generally speaking, all advances of moment should first be referred to Head Office, but it is impossible to draw a hard and fast line in these matters, and occasionally time may not permit such reference beforehand.

602. Where the Manager is called upon to act on his own responsibility in these cases, the justification for his action must depend on the judgment shown in the matter. In such cases a transaction must immediately be reported in a special letter and confirmation asked for from Head Office.

603. It is essential to the proper administration of the discount business of the Bank that all business which is conducted under a regular credit should be brought under review at a regular period in each year, and that every important account should be managed on lines definitely approved by Head Office at such intervals.

604. It is desirable that the Bank's discount customers should understand that their accounts come under discussion at least once in each year with the General Manager, and, indeed, that this discussion should be inaugurated by their submitting a regular application for a renewal of their credit. The lat-

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ter is not, however, absolutely necessary, and in cases where it is not feasible, Managers should ascertain what their customers' requirements are likely to be, and upon this an application by the Manager may be based.

605. When bringing an account up for the annual revision, the special letter should contain an express recommendation as to the lines upon which it should be carried for another year, and should call for the express approval of Head Office for the continuance of the account for another season.

606. In all applications for authority to discount trade paper, the probable volume of the discounts should be stated, so that a line of credit for such transactions may be approved.

607. In order to facilitate the consideration of applications for credit at Head Office, the following points should be observed:

- (a). The amount of the customer's present credit and his liability, with the security held, should be given. Then the letter should begin with a concise statement of the exact credit required, the amount, the purpose for which the advances are to be used, the security offered, the name of the proposed endorsers or guarantors, when the advances will be required, and when and from what source they will be repaid, etc.
- (b). In the discussion of the application, it will insure attention to all the necessary points if the Manager will review in order the

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regular customer of the Bank if his name has not been reported as a borrower.

- (f). The most recent statement of the customer's affairs should accompany the application, or, if the statement has already been sent, this fact should be stated. When transmitting a customer's statement of affairs either with an application or at any other time, a comparison with the last previous statement on form 71A should accompany it. If the statement is the first one that has been received, a classification of the customer's assets and liabilities should be made on this form.
- (g). The Managers are expected to report on any changes of importance in the nature of the assets and in the proportionate amount of the liquid assets and liabilities. If there are endorsers or guarantors definite information as to their financial position should be given.
- (h). The Manager's recommendation in the matter is an essential point and should never be omitted. The special letter accompanying shall be carefully and methodically framed, and the information be set out in due order and sequence, each subject being discussed in a separate clause, and all that is to be said on a particular subject brought together in one place as far as possible. This can best be accomplished by the letter being drafted carefully, corrected, and then re-written.

RULES AND REGULATIONS

- (i). The Manager should always remember that Head Office has not the local information with which he is familiar, and must depend on him for the information necessary to enable it to form a judgment of the account.

608. Managers must keep themselves closely informed as to the working of their various accounts, and when for any reason one does not work as anticipated and as advised to Head Office, the matter must be brought to the attention of the General Manager in a special letter, giving the reasons, and his instructions asked for.

609. When a credit has been arranged, it is assumed that the customer has anticipated fully the requirements of his business for the coming season, and if for any reason the account does not reduce at the time expected, the General Manager must be advised by special letter. Any increase, of course, must have his sanction.

610. When an interview regarding any customer's account has taken place between the Manager and the General Manager, the Manager is expected to write an official letter immediately on his return to the Branch, setting forth the points which were discussed and his understanding of the conclusions arrived at, and asking for confirmation if correct.

This applies to telephone instructions as well.

611. Managers shall not make advances to officers of other chartered banks or allow such officers to keep current accounts with this Bank.



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612. Unless authorized by the General Manager, no advances are to be made to parties who do not keep the whole of their account in the Bank of Toronto.

613. In the case of persons offered as endorsers, the Manager will not rest satisfied with the general opinion that the parties are good, or that they own real estate, but should ascertain precisely their position, and especially if they are in debt to other Banks. If they are represented as owning real estate, he will ascertain if it is clear of encumbrance, and, if not, what liability is against it. In considering the name of anyone offered as an endorser it is not advisable to accept one who cannot be relied on to retire the amount involved if need be without embarrassment.

614. Copies of all Balance Sheets of customers or others should be forwarded to Head Office immediately on receipt thereof, whether the parties are indebted to the Bank at the moment or not, accompanying them with a comparison on form No. 71A with the last previous statement. If there is any change of moment in the statement, the Manager should give as full details as possible in regard thereto.

615. The Managers should make a point to obtain accurate, and not estimated, Balance Sheets at regular intervals, and to educate their customers so that they will expect, as a matter of course, to supply a statement of their affairs annually. It is, of course, desirable that such statements should be signed by the customers, who should be allowed to make them out in their own way so long as the figures given are exact.

RULES AND REGULATIONS

616. At Branches where it is the practice to make loans to farmers, information regarding these obligants should be recorded in the book specially supplied for that purpose by Head Office, and in accordance with the particulars called for therein. The information given as to property should always be verified by search in the Registry Office.

617. The farmers' statements should be revised regularly.

618. With all loans to this class of the community, the Manager should know for what purpose the money is obtained, and how it is proposed to repay it, and the understanding on this point cannot be too specific.

619. All notes held as collateral security must be hypothecated to the Bank on the regular form duly signed by the borrower. The attorney for a customer cannot hypothecate collateral notes unless specially empowered to do so.

620. The Manager, with every loan he puts through, should keep a record of the promises or representations made to him in connection with it, and its payment. This record might be kept in the Liability Ledger, which should be continually before him. When an advance is not paid at maturity it is always incumbent on the parties to such a note to explain why the renewal is required. This explanation must always be insisted upon by the Manager, and, if he does not consider it very satisfactory, the renewal must be declined until further security in the shape of collateral or another good name is given. When the Manager, under the head of "Remarks,"

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in the daily Debts Purchased Sheet makes an explanation or promise against a note, this explanation or promise must be referred to in the event of a renewal being put through, and a further explanation given against the renewal, so that a continuous history of every note can be kept before us and also in the mind of the Manager.

621. Loans for an indefinite purpose or without a clear understanding as to the time of payment are to be avoided.

622. When an advance has been authorized for a specific purpose or a specific time, a special advice must be sent to Head Office, with a full explanation if for any reason an extension of the term of payment is desired.

623. Interest on overdrafts must be charged to the respective account on the last day of every month. The rate should be at least 1% above the ordinary rate if not more. Before entry is made all computations of interest must be checked by the Accountant, or under his supervision.

624. All payments of collateral notes must be credited in the Deposit Ledger to the customer's collateral account, and under no circumstances shall this money be used for any other purpose than that for which it was originally intended.

625. In the Province of Quebec no married woman can enter into a contract, sign or endorse a note, or bind herself in any way for the benefit of her husband. Therefore notes signed or endorsed by married women must not be taken.

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626. The law in this respect, however, is not so strict in the other Provinces, but recently, by a judgment of the Supreme Court, confirmed by the Privy Council, it was decided that a married woman's guarantee or endorsement for her husband is void unless she signs independently. (Stuart vs. Bank of Montreal.)

627. Therefore, in these Provinces if it is found expedient or necessary to have a wife join in a guarantee or endorsement on her husband's behalf, care must be taken to see that she has had the advice of her friends, of whom her husband is not to be one, and of a lawyer other than her husband's legal adviser, with a declaration from the latter that she has been so advised.

628. The borrowing powers of Executors, if they have any, are determined by the Will of the Testator. Upon the decease of a borrower the Manager requires to ascertain the conditions of the Will, and, unless authority is specially given thereunder, the Executors cannot legally borrow nor renew any note which may be running. The obligations of any deceased borrower must, therefore, not be renewed without special authority from Head Office.

629. In the case of direct advances to a firm the endorsement of the partners should be had, as, by this, the Bank is in a position to enforce its claim, if necessary, against the partners individually, without regard to any limitations there may be as to the firm's liabilities in the partnership agreement.

630. Except in the case of advances under Section 88, Demand Note: not desirable. They are not

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so profitable to the Bank and the time of payment is never so clearly understood.

631. Where, however, it has been considered advisable to make an advance payable on demand, the note must be drawn payable with interest. The wording must be as follows: "with interest at the rate of — per cent. as well after as before maturity." This wording our solicitors advise as being necessary to enable the Bank, in case of a dispute, to collect interest at the agreed-on rate up to date of payment.

632. Where a note held by the Bank is payable on demand and is endorsed, it is essential, in order to avoid any possibility of the question of non-liability being raised by reason of the endorser not having been notified of the non-payment of the note within a reasonable time, that the endorser specially waive such presentation, protest and notice of protest over his own signature on the back of the note, in addition to his signature endorsing the note.

633. Drafts deposited drawn at three days' sight and over, must be treated as discounts and go through the discount sheet.

634. Sight drafts of \$500 and over which are to go to the credit of the customer immediately must be treated as discounts and go through the discount sheet.

635. The calculations of discount and exchange charged, in the discounts sheets must be carefully checked by a senior officer. In the smaller Branches this should be done by the Manager.

636. Bills Discounted will be taken over daily by the Manager or, in the larger offices, by the Account-

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ant or an officer duly authorized. He will check each bill to see that it is in order and properly matured and that the endorsements are regular, comparing it with the entry in the sheet and initialling for the bill in the Diary. If the bill is a local bill it will be filed under its proper date of maturity in his bill case, and, if a foreign, he will see that it is forwarded by mail to the Bank's correspondents at the place of payment.

637. If the only Bank at the place of payment is a Private Banker, the bill should be sent for acceptance and return *unendorsed*. If it is accepted it should be held until a few days before maturity before forwarding for payment.

638. This rule in regard to Private Bankers applies also in the case of bills held for collection or as collateral, and in all cases the Manager must take from the customer, on the form for the purpose, the regular agreement in regard to collections sent to Private Bankers.

NOTIFICATION OF OBLIGANTS ON BILLS DISCOUNTED.

639. All makers or acceptors of local bills discounted must be notified, at least ten days before maturity, that the Bank holds the bill and looks to them for payment.

640. It is also advisable in the case of notes given for accommodation, to notify the endorser as well, and, unless the endorser has written his name on the note in the presence of the Manager, this notice should be sent. The notices must, of course, be in closed

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envelopes and sent at the ordinary letter rate of postage. The envelopes used for this purpose should bear the usual printed directions to return to the Bank of Toronto if not called for within a certain time.

BILLS NOT PAID AT MATURITY.

641. If a note under discount be not paid on the day it matures it must be charged to Notes Protested Account and protested, unless the endorser specifically waives protest and notice of dishonor on the bill, or unless a general waiver on the Bank's form is held.

642. Under no circumstances is an unpaid note to be held in the Cash, nor is one to be extended. No excuse will be accepted for a violation of these rules.

643. A note must not be charged back to a customer's account if by so doing an overdraft will be created. There are several reasons for this. In the first place, we object to overdrafts on principle; second, under certain conditions the charging back of the note might, so far as the Bank is concerned, operate as a payment, and the Bank's position on this account be prejudiced; third, when the bills are so charged back to the customer's account instead of being shown in the past due list, the returns to Head Office do not give the proper information to enable the General Manager to know the true working of the account.

644. When bills are overdue, the Manager will at once endeavor to effect a settlement, communicating

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with all the parties thereon. Constant attention is to be given until they are retired.

645. If necessary to protect the Bank's interest, overdue bills should be sued at once, and, in any event, if a settlement be not made within a reasonable time, say two weeks, the bill must be handed to the solicitor for suit. There is no excuse for a customer neglecting to arrange his paper at the proper time, and, if no attention is paid to the Bank's notice, the account is not likely to deserve much consideration.

646. No debt is to be compromised, nor is any long extension to be granted, without specific authority.

647. In this connection it is well to remember that if time be granted to, or a compromise made with, the party primarily liable on a bill or note, all the other parties to the note will be released unless their specific consent be obtained.

648. A renewal taken without all the names to the original releases the others.

SECURITIES.

649. Bonds, debentures, mortgages and any securities (other than Warehouse Receipts, Assignment under Section 88 of the Bank Act, and Collateral Notes) whether pledged as collateral security or lodged for safe-keeping, must be listed under their proper headings in the Security Register.

650. Articles accepted for safe-keeping should bear consecutive numbers which must be entered against them in the Register.

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651. The securities must be held by the Manager in the Treasury or a similar compartment.

652. Upon surrender of securities held as collateral, for safe-keeping, or in escrow, receipt must be taken therefor in the Securities Register from the party hypothecating or lodging them, or from some one duly qualified to sign on his behalf.

653. Bonds, debentures, etc., held or forwarded to another point for sale or collection of interest must not be stamped, numbered, or otherwise marked except with a lead pencil. When forwarding for payment at maturity they may be stamped and numbered in the same way as cash items.

654. Every package, envelope, etc., must be sealed with wax by the owner before being accepted by the Bank for safe-keeping.

655. When deposits are left with the Bank in escrow, Managers must on no account undertake to carry out the terms of the agreement. Papers must be sealed in the Bank's regular envelope bearing a superscription signed by the person making the deposit to the effect that the contents are to be delivered on payment, etc., and setting forth the disposition to be made of the packet on default.

656. The contents must be receipted for on the envelope when delivered, and the envelope so signed filed in a secure place in the vault or safe.

657. These instructions and suggestions as to the handling of securities, etc., left for safe-keeping, are not to be construed as favoring in any way this unprofitable practice.

658. It is, however, necessary at times to accept securities, etc., for safe-keeping, and, when this is

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the case, it must be clearly understood that the Bank assumes no responsibility.

659. Receipt forms and envelopes will be supplied on application. These specifically state that the securities are accepted for safe-keeping only on this understanding, but, in case of trouble, this might not be held by the Courts, under certain circumstances, to relieve the Bank from liability in the matter.

ASSIGNMENT OF BOOK ACCOUNTS.

660. As a security on which to base a credit, an assignment of book accounts is, as a rule, not satisfactory. In many instances such accounts represent what is owing by the slow and non-paying patrons of a business. This is particularly true of the accounts of a retail trader. The security is chiefly of value as additional collateral to provide a margin in case other securities fall short.

661. Practically speaking, such an assignment is of little value unless notice be sent to the debtors. This step, of course, would destroy the credit of the Bank's customers, and, consequently, would only be resorted to in case of the failure of the Bank's customer, and where it was necessary to protect the Bank's interests.

662. In the case of the failure of the Bank's customer, however, unless the assignment of the accounts to the Bank had been made more than sixty days before such failure, the burden of proof would be on the Bank to show that advances had actually been made against the assignment, and that the assignment was not an attempt to give the Bank a prefer-

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ence over the other creditors. Even where the claim of the Bank is not disputed by the other creditors, it has been found that there is always a heavy shrinkage when the accounts have to be looked to, the reason being that, when a failure does occur, the insolvent has invariably collected every account that is readily collectible, in his efforts to keep the business going, and, naturally, the only accounts left are the slow ones.

663. The best time to obtain this security is when an account is opened and advances are being arranged for, as then it will be given almost as a matter of form and without friction. When so taken, no question could be raised as to the validity of the assignment if it had to be looked to in case of need. With some banks this is the rule. Where an account is operated under a guarantee, an assignment of book accounts is a measure of protection to the guarantor in the event of anything going wrong.

664. When an assignment is taken from a Limited Company it must be under seal, and the by-laws of the company must give the officers power to execute such a document.

665. When an assignment is taken from a firm it should be executed by each of the partners on behalf of the firm.

666. The foregoing instructions will not apply to the Province of Quebec. There, no assignment of accounts would be valid without notice to the debtor at the time of the assignment of the accounts.

667. In Alberta, Saskatchewan and British Columbia these assignments must be registered, and even then they do not remain in force indefinitely, but must be renewed from time to time.

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668. Where this security is taken at the time an advance is made the form will read as follows:

"Whereas the customer has applied to the Bank for certain advances to be made to him by the Bank and has agreed to execute these presents as additional collateral and continuing security to the Bank for such indebtedness as shall be thereby created and for all advances that may hereafter be made to him by the Bank and for all future indebtedness from him to the Bank on any account whatsoever (whether alone or together with others co-partners with him or otherwise. Now therefore this agreement witnesseth that in consideration of the premises and the sum of one dollar, etc."

Where advances are already current and this additional security is required, the form will read:

"Whereas the customer is indebted to the Bank and has agreed to execute these presents as additional collateral and continuing security to the Bank for such indebtedness and for all advances that may hereafter be made and for all future indebtedness on any account whatsoever. Now therefore this agreement witnesseth that in consideration of the premises and the sum of one dollar, etc."

BILLS OF LADING.

669. When the Bank is asked to make advances against Bills of Lading, it is essential that the order form be used, as this is the only one to which any security value whatever attaches, there being in it a specific clause that "the surrender of this Original Order Bill of Lading, properly endorsed, shall be required before the delivery of the goods."

670. The clause also declares that inspection of the goods covered by the Bill of Lading will not be permitted unless provided by law, or unless permission is endorsed on this original Bill of Lading, or given in writing by the shipper.

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671. The goods may be shipped either to the order of the Bank or to the order of the shipper, and the Bill of Lading endorsed by him.

672. Ocean Bills of Lading, however, hypothecated to the Bank, are to be made out to the order of the shipper and by him endorsed in blank.

673. A specimen of the Order Bill of Lading to the order of the shipper, and endorsed in blank, is included in the *pro forma* set of Bank security forms in the Manual.

674. Bills of Lading or other documents attached to drafts forwarded for collection, must be accompanied by definite instructions as to whether they are to be surrendered on acceptance of the draft or held until payment. It is essential, of course, that the instructions from the customer be in writing over his own or his attorney's signature.

CUSTOMERS' INSURANCE.

675. In dealing with policies of insurance against fire, these points must be kept in view:

- (a). The following information must be correctly given: The name of the assured; description of his interest (that is, as owner, trustee, bailee, etc.); description of property insured; location of property insured. If the construction of the building is stated, this must be accurate. If the insurance be carried in more than one company *the description of the property and the location must agree in the various policies.*

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- (b). If the property insured is subject to a mortgage or other lien, this also must be stated. Some companies insist that where the buildings insured are on leasehold ground it must be stated in the policy.
- (c). If insured in more than one company the consent of each to the concurrent insurance in the other company or companies, must appear, unless the policy expressly waives this requirement. There are several clauses used by the companies to evidence the waiver in the policy such as "further concurrent insurance permitted without notice until required," or "concurrent insurance may be increased or decreased without permission." Probably the best clause, however, is worded thus: "Permission is given to increase or decrease amount of total insurance without notice until required, *but this permission shall not be construed as waiving the requirements of the Co-Insurance Clause hereinbefore recited,*" the words in italics being unnecessary where the policy has no co-insurance clause.

One of these clauses, or permission to carry a stated total without naming companies, should be secured, as, where the name of each company and the amount it carries is inserted in the policies, it is frequently found that the endorsements permitting these are not kept up to date. Some companies object to giving these

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liberal clauses in the case of small retail concerns, but a sufficiently liberal clause should be insisted on.

- (d). In the case of a manufacturing business or a grain elevator, or the like, the policy should contain a clause giving permission to work overtime, also to close down for a reasonable time when occasion requires, or to make repairs, and for the storage and use of such materials as are required and would otherwise be prohibited under Statutory Conditions (Ontario Statutory Condition No. 10F.).

Policies should also contain a Lightning Clause. Companies will always give this, but seldom unless specially asked for. In this connection it should be seen that the Lightning Clause is the standard one, as some agents might insert a Clause which would not give the desired protection.

- (e). The effect of a Co-Insurance Clause should be carefully considered. A reduction in rate, varying with the circumstances, is given if the assured allows a Co-Insurance Clause to be inserted in his policies. The effect of the Clause is that, if insurance representing not less than a certain named percentage of value is not maintained, the assured would be a co-insurer for the amount of the deficit. The percentages usually stipulated are as follows:

For ordinary risks on specific items. 80%

For insurance covering several items

under one amount 90%

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For property in several locations or in yards, under one amount100% If a building valued at \$10,000 were insured for only \$6,000 under an 80% Co-Insurance Clause (which would call for \$8,000 insurance), it will be seen that only 6/8ths of the agreed amount was carried, and this would represent the proportion of any loss that the Insurance Companies would pay. The other 2/8ths would be borne by the assured as a co-insurer.

For instance: Under these conditions a \$5,000 loss would work out as follows:

The insurance carried \$6,000
Insurance called for, with the Co-Insurance Clause 8,000
Amount recoverable from the Insurance Companies—6/8 of \$5,000 or 3,750

the insurer having to bear the \$1,250 owing to his failure to comply with the stipulation of the Co-Insurance Clause.

Where such a clause is in the policy, it is usually stipulated that the Co-Insurance Clause will not be operative unless the loss be over a certain agreed-on amount.

- (f). Any assignment of the contract of insurance, that is of the policy itself, without the consent of the company, or made with such consent to a party who has not an insurable interest in the property insured (that is, one who is not an owner or part owner of the property or one who has not

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a mortgage or lien thereon) would invalidate the insurance.

676. The assignment of the possible loss is not an assignment of the insurance contract, and does not affect the policy, nor require, except for the purpose of preventing other assignments, notice to, or consent of, the insurance company.

677. However, in order to prevent mistakes, the rule of the Bank is that such consent of the insurance companies must be obtained in every case.

678. This assignment may be in the form of an endorsement on the policy, or the use of the common phrase "Loss, if any, payable to the Bank of Toronto," or by a separate agreement setting out the assignment.

679. Where the loss is to be made payable to the Bank, it must be in the words "Loss, if any, payable to the Bank of Toronto." Sometimes the words "as its interest may appear," are added, but from the Bank's standpoint these are *most objectionable*, and where policies are tendered containing these words they *must not be taken*.

680. The reason for the Bank's objection to the phrase "as its interest may appear" is that, where the general clause instead of the limited is used, and the customer should fail in consequence of a fire, the Bank may be saved from a loss if it is in a position to collect the total amount payable under all the insurance policies in its hands.

681. The Bank may hold an assignment of any possible loss as security for all its advances, whether specially secured by mortgage or lien on the property insured or not.

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682. The matters referred to in clauses a, b, c, and f, must be carefully looked after, as any irregularity therein might vitiate the insurance.

683. Where the insurance is on a Mutual Plan, it is necessary to see that all assessments thereunder have been paid.

684. In cases where the policy is issued by a company the standing of which the Manager is not sure of, the name of the company should be submitted to Head Office for approval.

685. At all times it is advisable to urge on customers the wisdom of keeping their property well insured, even though the Bank's interest may not be such as to make this matter of insurance of immediate concern to it. Where the Bank is interested, ample insurance against fire is one of the conditions under which the Bank's advances are given.

686. In connection with all customers' insurance in which the Bank is interested, the policies must be carefully examined for clauses containing variations from the statutory form of policy.

687. By law any clauses varying these statutory terms must be printed on the policy in *ink of a color different from that of the body of the policy*.

688. With some policies these clauses are printed in an inconspicuous place, and, unless carefully looked for, are apt to be missed.

689. The intention, of course, in these varying clauses, is to reduce the amount of the company's liability, and the effect is that the insured does not get the protection that he thinks he is paying for.

690. It is essential, therefore, that the fine print clauses of any policy be carefully read and their effect considered.

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POWERS OF ATTORNEY, LETTERS OF PROBATE AND
ADMINISTRATION, ETC.

691. Powers of Attorney, as far as possible, should be executed on the Bank's approved forms. They should be numbered in the order of their receipt, and entered by the Manager or Accountant in the Register provided for the purpose.

692. The original of any Power of Attorney must be permanently lodged with the Bank unless it has been filed in a city or county Registry Office, in which case a copy certified under the hand and official seal of the Registrar may be accepted.

693. When an instrument is executed before a Notary Public in the Province of Quebec, and the original left on record in his office, a copy certified by the same Notary is in order. A Notary in the Province of Quebec is a public officer authorized to act as a depository for such documents, but the ordinary certification of a Notary Public in the other Provinces has no special status before the Courts, and no value can be attached to it as a permanent record. A notarial copy of a Power of Attorney or other instrument which remains in private hands must not be accepted.

694. If any cases arise where a strict adherence to these rules would be unnecessarily severe or inconvenient, they may be referred to Head Office.

695. When a Power of Attorney is revoked, the Manager may, if necessary, acknowledge receipt of the revocation, but on no account should a Power of Attorney once lodged with the Bank ever pass out of its possession. Immediately after receipt, the particulars of the revocation should be entered in the Register.

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696. A Power of Attorney is terminable by the following causes:

- (a) Revocation by the principal.
- (h) Renunciation by the Attorney.
- (c) Dissolution of a partnership.
- (d) Loss of civil rights or civil capacity (as interdiction).
- (e) Death of the principal.
- (f) Bankruptcy of the principal.

697. The individual signature of each partner of a firm is necessary for the effective execution of Powers of Attorney, bonds of guarantee, endorsements or acceptances not made for the benefit of the firm's business, and all formal deeds and instruments. For example: A note made or endorsed in the firm name by one member of the firm only, not for the benefit of the firm, but for his own accommodation, or the accommodation of another person, would be binding upon that partner alone, and not upon his firm.

698. A Power of Attorney must not be witnessed by the person in whose favor it is drawn.

699. Care should be taken to procure properly certified copies of the by-laws or resolutions authorizing officials to sign for incorporated companies.

700. The particulars regarding any Power of Attorney or any by-law authorizing officers of incorporated companies to sign for such companies, lodged with the Bank, shall also be entered in the Deposit Ledger, stating date when granted, name of person authorized to sign, extent of the power and limitations placed upon its use, if any. This information shall be entered at the commencement of the account in each Ledger, or at the head of the page covering the date when the documents are received or changed, and shall be checked by the Manager or Accountant.

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This information is to be transferred to every new page of the account.

701. When an account is operated under a Power of Attorney, care must be taken that the powers conferred are sufficient, as the attorney must be held *strictly* to the terms of the instrument. The use of the Bank form is desired where possible, but, so long as the form used is sufficiently clear, this will not be insisted on. If a clause in the form is not desired it should be ruled out before execution, and the cancellation should be initialled by the witness to the execution of the instrument.

702. In regard to all securities such as Guarantees, Bonds of Indemnity, Powers of Attorney, and the like, in which the Bank is interested, and which require to be witnessed, two witnesses to their execution are desirable, in case of a possible dispute later. Where the witnesses are officers of the Bank *two* must sign.

MORTGAGES.

703. Mortgage security can be taken by a Bank only as additional collateral to a debt already existing, the Bank Act prohibiting the making of advances, either directly or indirectly, against such security. In this connection it has been held that an understanding at the time the advance was made, that mortgage security would be given later, was an evasion of the Act, and the security, therefore, void.

704. Advances are often asked for on the security of a mortgage, either direct to the Bank, or on the assignment to the Bank of a mortgage owned by the

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proposed borrower, and in several instances even the local solicitor of the Bank has advised a procedure which, in the opinion of the highest legal authorities, was in direct contravention of the Act. There have also been attempts to evade the Act by making the mortgage payable to the Manager or by assigning it to him. A subterfuge of this kind would not stand for a moment in a Court of Law, nor would the Bank be free of the penalties prescribed by the Act. It cannot, therefore, be too strongly emphasized that a Bank is prohibited from making advances on such security.

705. When it is considered advisable that a mortgage should be given to the Bank in order to provide additional security, the Bank's form must be used, as it contains the clauses necessary to safeguard the Bank in the operation of an account after such security has been taken.

706. These forms will be supplied on application as follows:

- Ontario Branches by Head Office.
- Quebec Branches by Montreal.
- Manitoba Branches by Winnipeg.
- Alberta Branches by Winnipeg.
- Saskatchewan Branches by Winnipeg.
- British Columbia Branches by Vancouver.

707. Where a mortgage taken as security by the Bank covers buildings, the insurance on the buildings must be assigned to the Bank, and the standard mortgage clause must be attached to the policy.

708. The mortgage form will be filled in by the local solicitor, and the Manager must see that the

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amount recited as the indebtedness is the total indebtedness whether represented by the customer's own notes, paper under discount for him, overdraft or otherwise. If there is an overdraft, a note for the amount ought to be taken so that there may be a definite record in the Bank of the amount of the indebtedness secured by the mortgage.

709. When the customer has agreed to give the mortgage, care must be exercised to see that the mortgage covers only the indebtedness actually existing at the time when the customer agrees to give the mortgage. If there is any contemporaneous or practically contemporaneous fresh advance to the customer it must be kept entirely distinct from the older indebtedness, so that, in case of contest as to the validity of the mortgage, it may be perfectly clear that the mortgage was taken as security for an indebtedness already existing, and not in part for an indebtedness contracted upon the strength of any promise to give the mortgage.

710. After the mortgage is taken, care must be exercised in the keeping of the accounts, so that new advances may not become mixed with the indebtedness secured by the mortgage.

711. When a note representing part of the indebtedness secured by the mortgage is to be renewed at maturity, it is not to be charged to the customer's account pending receipt of the renewal note, even if the customer has funds at his credit to meet it, but must be held past due until such renewal is received.

712. The reason is that such a disposition of the note would very likely be held to constitute a pay-

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ment of that particular note, and the value of the Bank's security would be reduced by that amount.

713. When a Manager considers additional security by way of mortgage advisable, a full explanation, together with details of the value of the property mortgaged and prior encumbrance, if any, must be sent to Head Office or the Western Superintendent, with a copy of the mortgage.

LEGAL PROCEEDINGS.

714. No suits-at-law shall be entered in the Bank's name for the convenience of customers or others, without the express consent of Head Office.

715. Law costs which are not incurred on account of customers, and are not, therefore, chargeable to them, are to be charged to Expense account.

716. When suit has been entered by a branch against a debtor, advice must be sent to Head Office with details of the circumstances.

LIEN NOTES.

717. Lien Notes may only be taken on collection or as collateral. They must not be discounted. When Lien Notes are accepted as collateral to an advance, it is well to remember that the lien does not pass by the endorsement of the note by the payee, and that the hypothecation must contain a special clause assigning the lien to the Bank. This is covered by the regular Bank form.

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718. In this connection it is well to remember that if the security afforded by the lien is to be preserved either to the Bank or to the payee of the note, the original lien, whether it is embodied in a note or on a separate document, must not be surrendered so long as any balance of the note for which it was given remains unpaid.

719. In some cases where an extension of the time of payment has been given, a renewal for the balance unpaid has been taken, and a lien, similar in form to that given originally, taken, and the original note and lien given up. This operates as a discharge of the lien as the lien is not renewable, and, consequently, the security afforded by it is lost.

720. Where an extension is given it is best to hold the original Lien Note past due, endorsing on it any payments made thereon.

721. If, however, a renewal note is taken, the original lien, whether in the shape of a separate order or embodied in a note, *must* be retained and attached to the renewal.

722. In all dealings with Lien Notes it must be borne in mind that the maker has a right of set-off for any legitimate claim against the vendor, and third parties must always be prepared for something of this kind.

TIME CHEQUES.

723. Time Cheques are not negotiable documents. They are not promises to pay, but are merely certificates, signed usually by a foreman or time-keeper, to

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the effect that the men in whose favor they have been issued, have worked a certain number of days at a specified wage, and that this will be accounted for to them the following pay-day.

724. If, however, a creditor of the workmen were to garnishee the wages due, it would, we are afraid, come before the time cheque, unless the time cheque had been regularly accepted by the contractor prior to the service on him of the garnishee.

725. A laborer has a lien against the work until his wages are paid, and, in his own hands, this lien might be enforced, but, while this lien may be transferred to another, it does not pass by the mere endorsement of the time cheque, so that anyone taking a time cheque does so at his own risk. In fact, if a bank were to negotiate a time cheque for a customer and it were not paid at maturity, it is doubtful whether, in the absence of specific authority from the customer, the bank would be entitled to charge the customer's account with the dishonored time cheque.

726. For our protection, therefore, the following form must be executed by any customer seeking an advance against time cheques:

Bank of Toronto.

Dear Sirs.—^I_{we} hereby request you to receive from ^{me}_{us,} from time to time, time cheques issued or to be issued by _____ in favor of workmen. It is understood that you will receive these merely for collection, and that in case on demand the money set forth on such time cheques as payable be not paid to you then ^I_{we} undertake forthwith to pay you any

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moneys you may have advanced on the same, and ^Iwe authorize you to charge the same to ^{my}our account.

Dated:

Witness:

727. In no case is a time cheque to be negotiated for anyone who will not be able to retire it promptly in case it is not paid at maturity.

728. If a contractor wishes to have his time cheques paid on presentation, it is quite easy for him to give the proper written authority and make the necessary arrangements to provide for them. As a rule, with the larger contracting firms, this is done, only those whose working capital is very limited seeking to finance by paying their men in time cheques which can be realized on only at a heavy discount.

STERLING BILLS.

729. Every sterling bill with documents purchased, is to be accompanied by the Bank's regular letter of hypothecation. If the goods are insured on this side the insurance receipt should be attached. If insured on the other side the fact should be stated in the letter of hypothecation, so as to leave no room for misunderstanding.

730. When purchasing documentary sterling bills, officers must exercise every possible care to see that bills and documents are in perfect order. Any irregularity involves risk, and imposes extra trouble on the Bank's London Correspondents.

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731. A sterling bill payable to a woman must be endorsed by her christian name. The prefix "Miss" or "Mrs." must not be used, as, if used, it is considered an irregular endorsement in Great Britain. For instance: A sterling bill payable to Mrs. Wm. Jones must be endorsed "Elizabeth Jones" (or whatever her christian name may be), and not "Mrs. William Jones." According to the rule there the prefix "Miss" or "Mrs." is merely descriptive.

732. If any endorsement is made by stamped signature it must be guaranteed in the usual form over the Manager's signature.

733. Sterling bills returned unaccepted or unpaid must be placed in Notes Protested Account if not taken up at once by the customer.

734. In connection with sterling bills it must be remembered that in some countries (Great Britain and Ireland, for example) bills protested for non-acceptance are held and subsequently protested for non-payment unless instructions are given to the contrary.

GUARANTEES.

735. When a guarantee is to be taken it must be on the Bank's form, no other being acceptable unless first submitted to Head Office.

736. Where any of the guarantors are domiciled in a foreign country or in a Province other than that in which the guarantee is to operate, the following clause, relative to the laws under which the guarantee

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is to be construed, must be inserted at the close of the ordinary form:

“This contract shall be deemed to be executed in and shall be construed according to the laws of the Province of _____, and in any action thereon we shall be estopped from denying the same.”

737. Where the guarantee is to be limited in amount, in the blank space following the words “in respect of such advances,” the amount to which the guarantee is limited will be shown as follows: “provided that no sum in excess of — dollars shall be recoverable from ^{me}_{us} hereunder,” and in the blank space following the words “be a continuing guarantee” as follows, “to the extent of — dollars.”

738. Where the parties to the guarantee insist on dividing up the amount of the guarantee among themselves, so that the liability of each is limited, this can be expressed as follows in the blank following the words “incurred in respect of such advance:” “But no one of us is to be called upon to pay an amount exceeding the amount hereunto set opposite his name,” and in the blank space following the words “be a continuing guarantee” as follows “of the total indebtedness of the said company as aforesaid.”

739. In these cases each guarantor will write in full the amount for which he agrees to become liable opposite to his name when he executes the guarantee.

740. As it is desirable from the standpoint of the Bank that the guarantees taken by it should be joint and several, where there is more than one guarantor, these limited forms are for use only in special cases, and after the consent of Head Office has been obtained.

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741. While the forms contain an agreement on the part of the guarantor to continue liable, notwithstanding any changes in the name or personnel of the firm, Managers ought not to rely upon this, but as soon as there is any change either by the death or retirement or addition of persons, or by any change of name, ought to take new guarantees reciting the composition and name of the firm at the time when such guarantees are taken. Of course, the old guarantees ought not to be given up but held as security for the liability of the firm before the change.

742. Where the guarantee of a limited company is offered as security it is well to remember that unless the Company's Articles and By-laws give the necessary authority, a guarantee executed on behalf of the company would not be valid.

743. Seals must always be affixed to the guarantees at the time of execution.

744. It must be understood that if at any time a guarantor notifies the Bank of the cancellation of a letter of guarantee, or if for any reason a guarantee should become inoperative, the document must, on no account, be given up. The security belongs to the Bank absolutely.

745. When the guarantee of a firm is taken it should be executed by each member of the firm on behalf of the firm.

SECTION VIII.

BUSINESS WITH MUNICIPALITIES AND SCHOOL BOARDS (ONTARIO)

801. Section 225 of the Ontario Statutes of 1913 enacts that the Treasurer shall open an account in the name of the corporation in one of the chartered banks of Canada, or at such other place of deposit as may be approved of by the Council, and shall deposit to the credit of such account all money received by him on account of the corporation, and he shall keep the money of the corporation entirely separate from his own money.

Section 224 also declares that the Treasurer shall receive and safely keep all money of the corporation and shall pay out the same to such persons and in such manner as the laws of Ontario and the By-laws or resolutions of the Council direct.

The Act does not directly state that cheques against the corporation account shall be signed by the head or acting head of the municipality as well as by the Treasurer, but we consider this advisable. In the case of some country municipalities where the Treasurer resides some distance from the other officers, however, the Council sometimes passes a By-law authorizing the Treasurer to sign these cheques alone, and if this authority is sufficiently specific we are advised that this would be within the Act. Where it is only to withdraw a credit balance and the Council's authority is obtained, the Treasurer's signature

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may be accepted. Where, however, these cheques would create a debt—such as an overdraft—the signature of the head or acting head in addition to that of the Treasurer must be insisted on.

In this connection it must be remembered that no municipality is responsible for a loan to the Treasurer or to the Head and Treasurer whether by way of overdraft or on promissory notes unless such loan is authorized by by-law.

MUNICIPAL LOANS FOR ORDINARY EXPENDITURES.

802. The only loans dealt with here are those for ordinary current expenditure, and these borrowings are governed by Section 319 of the Municipal Act of 1913, Chap. 43, 3-4 George V., and loans to be legal obligations of the municipality must be strictly in accordance therewith.

The Section is as follows:—

1. The Council may either before or after the passing of the By-law for imposing the rates for the current year, authorize the head and Treasurer to borrow on such security, if any, as the By-law may authorize, such sums as the Council may deem necessary to meet the current ordinary expenditure of the corporation and the sums required to be raised in the current year for High and Public School purposes, until the taxes are collected.
2. The amount so borrowed and outstanding shall not at any time exceed in the case of a county the amount required to be provided

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for by the county rate for the current year, and in the case of a local municipality the following percentages of its ordinary expenditure for the next preceding year together with the amount required to be raised for High and Public School purposes for the current year:

(a) In the case of a town, village or township, any part of which is situate within two miles of a city having a population of not less than 100,000—80% ;

(b) In the case of a city and of any other town, village or township—90%.

The municipal year ends on the 31st December every year, and where a loan or general account runs over the year it must be kept separate in the account until it runs off either by the collection of the unpaid taxes of that year or by the new Council providing for it in the estimates.

The By-law as prepared by our solicitors contemplates advances by note only, and where the borrowing is to be by way of overdraft Head Office should be consulted as to the form of By-law.

From the Bank's standpoint the overdraft system is objectionable for various reasons, the principal of these being that there is not the same profit in it for the Bank, and also that the evidence of the debt is not so clear. A note under the seal of the municipality speaks for itself, while in the case of an overdraft one must depend upon the confirmation of the debit balance at the end of every month when the cheques have been surrendered.

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PUBLIC SCHOOLS.

803. The Act governing Public Schools is Chapter 266 Revised Statutes of Ontario 1914.

Section 47 declares that the Council of every local municipality shall levy and collect such sums as may be required by the Board for school purposes, and shall pay the same to the Treasurer of the Board from time to time as may be required by the Board. It will thus be seen that there is really no necessity for School Trustees to borrow.

However, *rural* School Boards have the power to borrow for the payment of secretaries' and teachers' salaries under Section 73 sub-section P., which authorizes them, "if necessary, to borrow on the promissory note of the Board under its corporate seal at interest not exceeding 6 per cent. per annum, such moneys as may be required for that purpose until the taxes imposed therefor are collected."

Section 49 sub-section 1 provides that the Trustees of every rural school section shall be a corporation by the name of "The Public School Board of Section No. — of the Township of — in the County of —" (inserting the number of section and the names of the township and county).

Sub-section 2 provides that there shall be three Trustees.

Should a loan be desired by a *rural* School Board a by-law authorizing it is necessary, and a copy thereof under the seal of the Board must be lodged with the Bank.

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The note must be signed "The Public School Board of Section No. — of the Township of — in the County of —," and must bear the signatures of the Chairman and Secretary of the Board, as well as the Seal of the Board.

It is better to have all the Trustees sign the note, if possible, but this need not be insisted on.

Section 77 of the Act provides that the Treasurer (or Secretary-Treasurer) of the Board shall receive all school moneys. The money advanced must, therefore, be paid to him.

The By-law authorizing the loan should be in the following form:

"Moved by Mr. ———

"Seconded by Mr. ———

"Whereas this Board is under obligation to provide for the payment of teachers' salaries quarterly, and whereas the amount required for the payment of salaries for the quarter ending on the ——— day of ———, 191—, is \$—— and it is necessary to borrow money to meet the payments of the said salaries until the taxes imposed therefor are collected.

"Be It Enacted A By-law of The Public School Board of Section No.— of the Township of — in the County of ——— as follows:

"The Trustees shall borrow from the Bank of Toronto on their promissory note, which shall be sealed with the Seal of the Board, such moneys as may be required to meet the said payment.

"The said note shall bear and shall be expressed to bear interest at the rate of six per centum per annum,

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and shall be signed by the Secretary and Chairman of the Board, and shall be a legal obligation of the Board.—Carried.”

SEPARATE SCHOOLS.

804. The Act relating to Separate Schools is Chapter 270 of the Revised Statutes of Ontario 1914.

Section 21 declares that the Trustees of Separate Schools for Roman Catholics shall be a body corporate under the name, in the case of a city, town or village, of “The Board of Trustees of the Roman Catholic Separate School for the City (or town or village) of ————;” and in the case of rural Boards of “The Board of Trustees of the Roman Catholic Separate School for the City (or town or village) of ———— in the Township of ————.”

Section 75 declares that “the Board of a Separate School may pass by-laws for borrowing money for school purposes and for making mortgages and other instruments for the security and payment thereof or of money payable or to be paid for school sites, school buildings or additions thereto or the repairs thereof upon the school house property and premises or any other real or personal property vested in the Board or upon the Separate School rates.”

The mortgages and other instruments which the Trustees have power to make may be made in the form of debentures, and the debentures are made a charge on the property and rates as in the case of mortgages thereof. Provisions are made with respect

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to the issue of the debentures—how they should be made payable, etc.

Bearing in mind the definition of the word "Separate School," it follows that under Section 75 the Board of any Separate School, whether rural or urban, has power to borrow money for school purposes. Special power is conferred upon the Trustees of the rural Separate Schools to borrow money for the payment of teachers' salaries pending the collection of the taxes imposed therefor.

Sub-section "U" of Section 45 is in this respect similar to sub-section "P" of Section 73 of the Public Schools Act, and if an application be made for money to pay teachers' salaries the form of resolution therefor applicable under the Public Schools Act might be made use of. The very wide powers contained in Section 75, however, would no doubt include the power to borrow for teachers' salaries.

As applications for loans by Separate School Trustees on the security of debentures are not numerous, no form of by-law for this purpose is provided. Formalities to be observed are somewhat special, and each case is to be referred to Head Office at the time.

It sometimes happens in the case of rural School Boards both Public and Separate that there is difficulty in having the proper formalities arranged as to by-laws, etc. In such a case it is much better to make the loan to the trustees as individuals, assuming, of course, that they are good for the amount involved, rather than attempt to have errors in the by-law or resolution corrected.

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ALBERTA, MANITOBA AND SASKATCHEWAN.

805. Owing to frequent changes in the legislation of these provinces affecting the borrowing powers of municipalities and schools, it has not been considered advisable to formulate specific rules in this book. Branches in the three provinces referred to will receive instructions from Winnipeg from time to time covering business of this nature.

BRITISH COLUMBIA.

806. The only loans dealt with here are those for ordinary current expenditure, and for all municipalities outside of the Cities of Vancouver, Victoria and New Westminster, which have special charters, the borrowings for current expenditure are governed by Section 134 of the Consolidated Municipal Act of 1914, and loans to be legal obligations of the municipality must be strictly in accordance therewith. The Section is as follows:

“The Council of every municipality may from time to time pass by-laws for authorizing the borrowing from any person (this includes a chartered Bank or Corporation) of such sum of money, not exceeding an amount equal to the total amount of taxes upon land or real property, as shown by the revised assessment roll of the municipality and school district for the preceding year, and bearing such rate of interest as may be agreed upon and as may be requisite to meet the current lawful expenditure of the corporation which becomes payable out of the annual revenue before the first day of December, under the following conditions:

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- (a) That the money so borrowed shall be repayable and repaid on or before the thirty-first day of December in the calendar year in which it is so borrowed;
- (b) That it shall be a liability payable out of the municipal revenue for the then current year;
- (c) That the obligation given to the lender shall be in writing signed by the Mayor or Reeve, and the finance committee (if any) and the clerk of the corporation, and shall bear the corporate seal;
- (d) That the Council shall in the by-law have named the amount to be so borrowed, the maximum rate of interest, the date on or before which the principal and interest shall be payable, and the form of the obligation to be given as an acknowledgment of the liability.

“Where any sum of money has been borrowed by any municipality in any year to an amount not exceeding the amount by this section authorized, under a by-law passed in pursuance of the power hereby conferred, and it has been found impossible to pay the liability so created out of the municipal revenue for the then current year, owing to the non-payment of the taxes for such year, it shall be lawful for the Council of such municipality for any subsequent year, by resolution, to arrange with the lender for the postponement of the payment of such sum of money or any portion thereof for such period as may be agreed upon, at a rate of interest not greater than

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thrt at which the same was borrowed, payable at such times as may be agreed upon; and every such liability, notwithstanding the non-payment thereof within the then current year, shall be, together with interest thereon at the said rate, or such lesser rate (if any) as may have been agreed upon, a valid liability of the municipality, payable in like manner as any other liability thereof; and the power conferred by this section may be exercised in any subsequent year or years, notwithstanding the non-payment of any such liability as aforesaid in any previous year or years: Provided always that any municipality owing any sum of money on account of any such liability or liabilities as aforesaid incurred in any previous year or years shall not have power under this section to borrow in any year any larger sum of money than such amount as will, together with the amount so owing and interest thereon, amount to the sum hereby limited.

"In the case of a new municipality having no revised assessment roll for the preceding year, the current year's assessment roll for the said municipality may be taken. R.S. 1911, c. 170, s. 163; 1912, c. 25, s. 32."

830. Loans on the security of Dehatures or for any purpose other than antieipating current revenue will be specially dealt with through Vancouver office.

SECTION IX.

ADVANCES UNDER SECTION 88 AND AGAINST WAREHOUSE RECEIPTS.

SECTION 88.

901. It cannot be too clearly impressed on Managers that advances under this Section are not intended for men in a small way of business, even if it were possible to consider them wholesalers.

For small men, the proper security is a good endorser or a guarantor. The reason is, that, if the security under Section 88 is to be worth the paper it is written on, it must be taken strictly in accordance with the rules laid down for the operation of accounts under this Section. This entails a great deal of detail which must be carefully checked to make sure of its correctness, and, with small advances, the work involved is out of all proportion to the amount of profit to be derived from the transaction.

902. Loans under Section 88 are limited to:

(1) Any wholesale purchaser or shipper of or dealer in products of agriculture, the forest, quarry and mine, or the sea, lakes and rivers, or to any wholesale purchaser or shipper of or dealer in live stock or dead stock and the products thereof, upon the security of the same, and

(2) To farmers upon the security of their threshed grain grown upon the farm.

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(3) To any wholesale manufacturer of goods upon the security of the goods actually manufactured by him or procured for such manufacture.

(4) The clause in the Section authorizing loans to farmers on the security of their threshed grain is an experiment and may or may not prove satisfactory. Later on the rules are given under which the advances are to operate in case it is found advisable to take such security for an advance to a farmer. When it is taken it must not be relied on as furnishing any protection whatever, but is to be taken merely for what it may be worth.

(5) The Bank may not lend to a manufacturer upon the security of any goods procured by him to be sold in substantially the same condition in which they were received.

(6) Security under the Section can only be acquired at the time of the contraction of such debt or liability, or if the Bank at the time of such contraction holds or obtains a written promise that the security will be given.

(7) No definition of the term "wholesale manufacturer, purchaser, shipper or dealer" is given in the Act—in fact it would hardly be possible to define the term—but no difficulty is likely to arise in the majority of cases as the dividing line will be found tolerably clear.

(8) If there should be any doubt, however, the same rule is to be followed here as in other cases,—the Bank is to be given the benefit of the doubt.

(9) Losses are frequently made by Bankers in connection with loans under this Section for the rea-

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son that carelessness in the details in taking the security has voided it. Security under the Act gives the Bank preference over the unpaid Vendor, and, in the event of the failure of the customer, this preference is almost invariably attacked. If any flaws exist in the security, the Bank has practically no defence. Where this security is taken, therefore, it is essential that the procedure be strictly in accordance with the legal requirements if the security is to be relied upon. For this purpose it has been considered advisable to draw up a set of rules for the guidance of Managers when dealing with advances under this Section.

(10) These rules have been adopted, under the advice of our solicitors, as the simplest and most satisfactory method of preserving to the Bank at all times the security which the Act contemplates.

(11) For the legal reasons for these Rules a careful perusal is recommended of the Act itself, MacLaren's "Banks and Banking," "Canadian Banking Practice," and particularly an article by Mr. Z. A. Lash, in Vol. 2, page 54, of the Journal of the Canadian Bankers' Association with which all Managers should familiarize themselves.

(12) Information on any point which is not clear to a Manager is always obtainable by correspondence with Head Office.

(13) As it sometimes happens, in spite of precautions, that errors are made in these securities, it cannot be too clearly impressed on the Manager that, as soon as one is noticed, Head Office is to be given full particulars so that the necessary steps can be

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taken to remedy matters before it is too late. In this way a possible loss may be avoided.

(14) In case at any time the affairs of a customer seem to be in an unsatisfactory condition, all securities held by the Bank should be gone over and closely scrutinized, and, if it seems that the Bank's position could be improved by the execution of documents to remedy any apparent defects in the existing securities, or by the taking of additional security by way of mortgage on the customer's real estate, or an assignment of book debts, etc., this ought to be done.

RULES FOR OPERATION OF CREDIT UNDER SECTION 88.

903. When a credit under this Section is applied for a formal application on Form 114 and agreement on Form 102 are to be taken from the customer. Advances under the credit will not be made until it has been formally advised from Head Office.

In the application the description of the goods to be pledged and the places where they are located must be set forth accurately, the rule being that the description shall be such that anyone not familiar with either the goods or the location of them will be able from the information there given to find the place and identify the goods covered by the pledge.

The date of the application on Form 114 must not be later than the date of the first advance under the credit, and the application must not be antedated.

In the event of the customer furnishing a guarantor or an endorser, in addition to giving security by pledge under Section 88, it is essential that the

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formal consent of such guarantor or endorser be obtained. This is provided for in our new guarantee forms but when these are not in use Form 110 must be executed.

This consent on the part of the endorser or guarantor permits the Bank to deal promptly with the security in case of necessity without affecting the liability of the endorser or guarantor, and one such consent is sufficient during the currency of the credit.

When the *first* advance under the credit is made, there is to be taken with the promissory note and promise on Form 166 an assignment or pledge on Form 101, entering thereon the particulars of the note, but ruling out in the pledge the words in the third paragraph in brackets "except previous assignments to the said Bank."

All *other* advances under the credit are to be made in the same manner except that the form of pledge No. 101 will necessarily contain the words "except previous assignments to the said Bank" in the third paragraph. On the pledge, however, will be listed only the note attached to it.

The proceeds of the sale of goods covered by a pledge under this Section are not applicable to any purpose but the reduction of the advance for which the goods are pledged, and for this reason it is essential that a separate account be opened in the Deposit Ledger known as the Sales Account of the customer and to this account all moneys, either cash or proceeds of the customer's trade paper discounted, the proceeds of sales of goods covered by the pledge are to be deposited. From this account, from time to

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time, moneys are to be transferred in reduction of the debt, all such payments, of course, being applied on the note representing the oldest advance.

As funds are required by the customer from time to time for the purposes of his business, fresh advances within the limit of the credit can be made in the form above mentioned, and these advances will be placed to the credit of the customer's ordinary account in the Deposit Ledger.

If it should happen that a renewal, in whole or part, of a note is necessary, a new pledge is not to be taken, but the old note, promise and pledge are to be attached to the renewal, which is to be paid from the first available proceeds of the sale of the goods. In other words, the notes to which the oldest dated securities are attached are to be paid first.

In cases where a renewal is necessary, the old note and pledge must under no consideration be given up, but must be attached to the new note, which should be taken on the ordinary form of promissory note. Where this is done, however, it must be remembered that the renewal must under no consideration be for a sum greater than the amount of the pledge note and interest thereon for the time for which the renewal is to run.

In order to keep our security fresh, it is essential that at regular intervals a pledge be taken from each customer on Form 115 listing thereon all the notes then current representing advances to him secured under Section 88. These notes will be listed according to date whether they are casual advances or advances under one or more lines of credit.

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In listing these notes, however, no renewal note is to be shown. Where renewals are current the original notes must be listed on the pledge on Form 115 at their face amount and date.

It is advisable, however, except in case of advances to farmers under this Section, that the notes be drawn payable on demand, and this will obviate the necessity for renewal.

Interest on these demand notes must be collected monthly. Where a note is paid during the month, interest will, of course, be collected at date of payment.

It is essential that the wording of the descriptions in the application on Form 114, and the pledges 101 and 115 as regards both the goods pledged and the places where they are located, be identical.

Credits under this Section are to be renewed each year.

Where the credits are in connection with seasonal commodities such as grain and produce, they should, and usually do, clean up each season. In the case of manufacturers and others whose business goes on unbroken from year to year, however, the credit will not always clean up in full though the advance will vary at different times of the year.

When a new credit is granted while an advance under the previous one is still current, the two credits must be kept separate, and the proceeds of the Sales Account must first be applied on the advance under the previous year's credit until it runs off.

In cases where notes secured by pledges under Section 88, under two or more separate credits, are

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concurrent and covering goods which cannot be easily separated or identified under the respective credits, the pledge on Form 115 on which all notes will be listed according to date irrespective of the credits, will keep the Bank's security fresh.

When an advance is made before the actual granting of the credit, the forms to be used will be the note and promise on Form 165 and the pledge on Form 101.

Overdrafts are objectionable from a Bank's standpoint for many reasons, and the forms referred to in the foregoing contemplate advances on notes only.

In certain lines of business such as grain, produce, etc., advances by way of overdraft may be more or less necessary, but these must be covered at frequent intervals by note and pledge.

A pledge cannot be taken to secure an existing debt, such as an overdraft, unless there is a written promise to give such security taken when the overdraft is allowed, but where a credit has been granted, the formal application on Form 114 contains the necessary promise to give such security for all advances, and the pledge is taken in pursuance of this promise.

A pledge or assignment under Section 88 is akin to a chattel mortgage, and, where it has to be signed by a customer's Attorney, it is necessary that the Power of Attorney given by the customer shall be sufficient to make his signature for this purpose valid.

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To do this it must contain in addition to other powers this clause "to give security to the Bank under Section 88 of the Bank Act."

In the case of a Joint Stock Company, a By-law to this effect is necessary, and the copy thereof lodged with the Bank is to be certified under the seal of the company.

Where the By-laws of a company desiring to borrow under this Section do not give authority to its officers, it is *necessary* that all forms, application on Form 114, Contract Form 102, Pledges 101 and 115 and Note Form 165 and 166 be executed under the seal of the company.

SUBSTITUTION OF GOODS UNDER THIS SECTION.

904. The Act authorizes the Bank to allow the products, goods, wares and merchandise, live stock or dead stock or the products thereof, upon the security of which the money has been loaned under the authority of this Section, to be removed, and other products, goods, wares and merchandise, live stock or dead stock or the products thereof of substantially the same character and of the same or lesser value to be substituted therefor. See Section 88, sub-section 4.

There is a clause in Bank Form 102 covering this point, but in practice it might prove difficult to operate so as to always preserve the Bank's legal rights. The best way to obviate any difficulty that might arise in this respect will be to take securities frequently, so that, as far as possible, the goods on hand will always be covered by the security held by the

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Bank. With an active account with frequent advances there is not likely to be any difficulty, as each pledge taken when an advance is made covers all goods in store. Where the account is not active, the same result is obtained by taking at frequent intervals the pledge on Form 115 in pursuance of the promise contained in the application. On this pledge, of course, all the notes representing the advance under the credit are to be listed.

CASUAL ADVANCES UNDER THIS SECTION.

905. In the case of casual advances under Section 88, that is advances where a regular credit has not been granted, the forms to be used are note and promise on Form 165 and Pledge on Form 101.

The description of the goods pledged and of the place or places where they are lodged, as given in the promise, must agree with those in the pledge.

Contract on Form 102 must be signed, and where there is an endorser, his formal consent must be obtained permitting the Bank to deal promptly with the security in case of necessity without affecting the liability of the endorser.

The procedure in regard to the proceeds of the sale of the goods covered will be the same as in the case of advances under the credit. Security under this Section cannot be taken to cover an advance already made unless at the time of making such advances there was taken a definite written promise to give such security.

An overdraft cannot be covered from the proceeds of an advance secured under this Section

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unless at the time the overdraft was allowed a definite written promise to give such security was taken.

If a note representing such an advance secured by pledge under Section 88 is not arranged at maturity, it must not be charged to the customer's account if this debit will create an overdraft.

Such a note is to be held past due until renewed or paid in order to preserve to the Bank the lien in the pledge. In renewing the note a new promise is not to be taken, but the original promise is to be retained. The best way is to use the ordinary form of a promissory note for the renewal, attaching to it the original note and promise on Form 165 and the original pledge.

As the note taken will in all probability be payable on demand, the interest must be collected each month. The security also must be kept fresh during the currency of the advance by an additional pledge on Form 115 being taken each month from the maker. If any payments have been made on account, the notes must be listed on the Form 115 at their face amounts.

WAREHOUSE RECEIPTS.

906. Under Section 86 of the Bank Act the Bank is given authority to take warehouse receipts or bills of lading as collateral security, while Section 90 of the Act provides that the Bank shall not acquire them, unless (a) at the time the paper is negotiated or the debt is contracted, or unless (b) the paper is negotiated or the debt is contracted upon the writ-

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ten promise or agreement that the warehouse receipt, bill of lading or security will be given to the Bank.

When an advance is made against this security the warehouse receipts should be made out in favor of the Bank. A special hypothecation of warehouse receipts is not necessary the attachment of the receipt to the note being sufficient.

When a warehouse receipt is taken as security in any other way than that specifically authorized by the Act, the security is valueless, and, in addition, the Bank will be liable to a fine of \$500. See Section 141, sub-section "C" and 146 sub-section "C."

Where, as sometimes happens, the warehouse receipt is to the order of the customer, or another, and endorsed by him, it is necessary to give notice by registered mail to the warehouseman on Form 116, that the receipt has been transferred to the Bank. The acknowledgment accompanying the form is, on its receipt from the warehouseman, to be filed in a safe place.

Should it be necessary to release to the customer any portion of the goods covered by the warehouse receipt an order to deliver the quantity required may be given as follows:

"To (the warehouseman).

"Be good enough to deliver to _____ or order the following goods (here give the description and quantity), charging the same to Warehouse Receipt Number _____.

For The Bank of Toronto,

_____Branch,

_____Manager."

Endorse on the receipt, with the date, the quantity of the goods released, and keep a press copy of the order.

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ADVANCES TO FARMERS UNDER THIS SECTION.

907. According to sub-section 2 in this Section a bank is authorized to make advances to farmers upon the security of their threshed grain grown upon the farm.

Security in this form must not be relied upon as affording any protection whatever. Various claims take precedence—a seed grain lien, arrears of principal and interest on land mortgages, under certain circumstances also the claim of a landlord for rent and that of a vendor under crop payments, wages, threshing accounts, etc. It, however, constitutes a written pledge on the part of the borrower that the advance is against the crop and payment to be made from first proceeds, and to this extent should be useful. Also, it protects the crop against seizure for ordinary claims and can in no case do any harm, if its usefulness be not over-valued.

The forms to be used will be 166F and 101F, and the note *must not be drawn payable with interest or on demand*, but must be a straight note for a definite time, and must be discounted. When the grain which the pledge covers is sold, the proceeds are applicable only to the reduction or payment of the note, and care must be taken to see that the proceeds are not diverted to other uses.

ADVANCES AGAINST STANDING TIMBER.

908. Under the Bank Act advances may be made on the security of standing timber.

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If the borrower owns the timber, whether or not he is also owner of the soil, the security can only be taken by way of mortgage, and the formalities as to registration, etc., applicable in the case of an ordinary mortgage of lands must be observed. A sufficient description for the purpose of registration of the lands on which the timber stands is therefore requisite.

In the case of Government licenses a proper assignment of these should be taken, and notice thereof promptly given to the head of the proper Government Department in that behalf.

The forms used for advances under Section 88 are not suitable for advances against standing timber, and where such advances are desired Head Office will, on application, furnish the necessary forms.

SECTION X.

EXPENSE ACCOUNT

1001. Expense Account vouchers for all items of expenditure must be initialled by the Manager or Accountant before being paid, and must be duly receipted, unless acknowledgment of payment is held in a regular account.

As far as possible, payment must be made by cheque. These vouchers must be filed carefully in the vault so as to be readily available, as it may be desirable to have them forwarded to Head Office or the Western Superintendent with the half-yearly statement of Expense Account on the regular form.

Special subscriptions and donations for other than trivial amounts must be authorized by Head Office or Western Superintendent. The rule in regard to all subscriptions is that they must be confined to those of a general character in which the business community or some branch of it is interested, and in which the Bank should show its interest with the rest of the community. Such a contribution may serve as an advertisement and in this way may be justified as a business proposition.

Subscriptions to churches, Salvation Army, charity, and such like cannot be justified. The Bank is a business institution and is not identified with any church or charity, and has no reason for aiding one more than another. These objects, though undoubtedly worthy, are for private individuals to support,

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and not for business institutions, and it is a sufficient answer to appeals on behalf of such objects for the Manager to say that he is not authorized to use the Bank's money in this way.

With so many branches, each of which is appealed to constantly in matters of this kind, it is necessary to clearly define the Bank's position.

The Managers will not allow standing accounts to run for any length of time, and before making up semi-annual returns, all accounts must be called in and settled so as to be included therein. Where attorneys are employed settlement of account should be made at least quarterly.

SECTION XI.

CONVENTIONS AND RULES RESPECTING ENDORSEMENTS.

1101. Adopted by the Council of the Canadian Bankers' Association on the 26th February, 1898, under authority of a resolution passed at the annual meeting of the Association, 6th October, 1897.

MODE OF ENDORSEMENT.

1. An endorsement may be either written or stamped, in whole or in part.

REGULAR ENDORSEMENTS.

2. 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

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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 some one 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."

IRREGULAR ENDOORSEMENTS.

3. 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.

RESTRICTIVE ENDOORSEMENTS.

4. 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

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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 inbank to credit of....."

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

"Credit.....bank."

FORM AND EFFECT OF GUARANTEE.

5. 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 in writing 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 return to the paying bank 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.

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ENDORSEMENT BY DEPOSITING BANK.

6. 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 or elsewhere.

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 5 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.

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

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thereon the guarantee referred to in section 5 hereof, but payment may, notwithstanding, be refused until the irregularity be removed.

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 in writing 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.”

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.

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It is also understood that endorsements regularly made within the meaning of these Conventions and Rules shall not be objected to except for special reasons to be assigned with the objection.

AMENDMENT.

*Adopted by the Canadian Bankers' Association,
February 22nd, 1906.*

In case of all items, whether restrictively endorsed or otherwise, sent through the exchanges by members of the Association, the member sending the item shall be deemed and held as guaranteeing the authenticity of all endorsements thereon, and if such guaranty do not expressly appear it shall be implied.

AGREEMENT.

The foregoing Constitution, By-laws, Rules and Regulations, and the Conventions and Rules respecting endorsements are hereby agreed to by the respective banks on whose behalf this is signed, and such Banks do hereby respectively agree together and the one with the other and others of them to abide by, observe and carry out the foregoing and any amendments or additions thereto which may hereafter be made in accordance with the provisions above contained.



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