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# JOURNAL

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# CANADIAN BANKERS' ASSOCIATION

*OCTOBER—1896*

## THE EARLY HISTORY OF CANADIAN BANKING

### ORIGIN OF THE CANADIAN BANKING SYSTEM

THE history of banking in Canada, as in other countries, is but one phase of the general economic history of the people. Banking operations are so wholly dependent upon the commercial habits and ideas of the people, the character of their business and the nature of their occupations, that they cannot be studied with much certainty or profit apart from the general economic atmosphere in which they are carried on. It will be my purpose in these articles to set forth, as fully and as accurately as the material which I have been able to gather will permit, the origin of the Canadian banking system, the early history of the first banks, particularly those of Upper Canada, and their relations to the economic condition of the country at the period of their introduction.

The present article deals with the origin of the Canadian banking system.

In treating of banking in Canada little attention has

hitherto been given to the question of its origin. So far as it has been looked upon as other than a native growth, Scotland has commonly been credited with its parentage. At first sight this conclusion seems so natural and obvious as to be hardly worth questioning. From the very infancy of Canadian banking Scottish names have been chiefly associated with its growth and expansion. Moreover, prominent external resemblances, particularly in the feature of branch banks, seem to closely relate the two systems on the one hand, while distinguishing them from their nearer neighbors on the other. Closer inspection, however, and especially a slight acquaintance with the history of the two systems, soon show us that the resemblance is merely accidental, or at the best only to be attributed, in the course of their development, to a community of national temperament in the persons of the most influential managers. Evidence of the most direct kind shows that the Canadian system was derived from quite another source. But since its origin has been attributed to Scotland, it may be as well to make a few observations on the negative side.

Though the Canadian system was established largely through the influence, and under the direction of persons of Scottish nationality, yet it does not follow that these persons were prejudiced in favor of Scottish examples. The richest national individuality is that which is capable of absorbing the widest range of foreign experience without losing its characteristics. It is matter of common observation that the pronounced individuality of the Scotchman is almost invariably accompanied by the widest cosmopolitanism. The Scotchman's capacity, in every region of the world, to adapt himself to circumstances, or more often to induce them to meet him half way, is proverbial, and mainly because in so doing he only intensifies his national identity. The Scotchmen who were so prominent in the early days of Canadian commerce, did not attain to that position by any special adherence to Scottish experience. Few of them had much occasion to be familiar with the mechanism of exchange before leaving their native country, otherwise Canada had never known them. Their commercial experience was gained on this side of the Atlantic. Even after they became extensive traders, there were few occa-

sions in which they had any direct intercourse with their countrymen in Scotland. The Canadian trade was almost wholly confined to New York and the New England States, and the West Indies, on this side the Atlantic, and London, with a few other English towns, on the other. So late as 1823 the shipping lists show only rare arrivals from any Scottish port.

But even had the Canadians been familiar with Scottish banking, at the time they were forming their own ideas on the subject, they would hardly have been likely to take the Scottish banking of that time as a model. That was the period of the great struggle with France, from 1793 to 1815, during which both English and Scottish banking were in a most unstable condition and subject to frequent crises. In 1797 the Bank of England suspended cash payments, followed immediately by the Scottish banks, and did not resume until 1821. During this period banking in Scotland was carried on by two chartered banks,—the Bank of Scotland and the Royal Bank, each with a branch in Glasgow,—and a multitude of small private banking corporations with little community of system and no branches. It was only after 1816, and mainly through the action and example of the National Bank of Scotland, started in 1824, that the transition was gradually made to the present system of a few large banks with numerous branches. But before this experience was available the Canadian system had been already determined.

Turning to the positive side of the subject, I may state categorically that the Canadian banking system was derived in a very direct and literal manner from the United States. The more one becomes acquainted with the economic condition and commercial relations of Canada, during the last quarter of the eighteenth and first quarter of the nineteenth century, the more one recognizes that this was no accident, but quite inevitable. It was equally inevitable that the currency of Canada should assimilate itself to that of the United States, despite the relatively large sums in English currency which were continually coming to the country, and despite also the laws, regulations, and bonuses intended to maintain the English system and exclude the American.

The father of the Canadian banking system was Alexander

Hamilton, the first Secretary of the Treasury under the present constitution of the United States. Hamilton had given much attention to economic, and especially to financial questions, long before he was called upon to lay the financial foundations of the young republic. The ability and thoroughness with which he studied questions of banking and general finance are shown in the radical changes which his own ideas underwent, and the frankness with which he afterwards exposed the fallacy of ideas which he had earnestly supported at earlier stages of his own progress. It is quite true that several of his ideas afterwards proved to be inadequate or erroneous, but, comparing them with the best ideas then current on the subjects of paper money, credit and banking, we have to admit that Hamilton was singularly sane and practical in the principles which he laid down. In his work on the History of Banking in the United States, Professor Sumner is inclined to be rather severe in his criticism of Hamilton, but the force of his criticism falls not so much on Hamilton as on those who achieved disastrous results by a one-sided and often deliberately perverse development of certain of Hamilton's ideas. It could be pointed out also that these ideas, and others of a similar nature, in the hands of different men, did not have the same evil consequences in Canada or in Scotland. However, this is merely by the way. Our present task is to show what were Hamilton's principles and how they came to be adopted in Canada.

Politically, we find that the English traditions of the Colonies were faithfully reflected by the founders of the American Republic in their federal constitution. The singular stability of the American constitution, and its capacity to serve with efficiency for so long a period of rapid growth and enormous expansion, are undoubtedly due to the conservative resolution of its framers to try no novel political experiments, but to rely on the experience of their own colonial condition, and of their mother country. Financially the same spirit showed itself. English precedent and English experience were closely followed by Hamilton and his associates in laying the foundations of the public credit.

During the trying and uncertain period when the colonies were struggling for their freedom, Mr. Robert Morris, the finan-

cial agent of the colonial government, managed to obtain in the Bank of North America a financial instrument which, with the help of silver specie supplied by France, was of the greatest assistance to the struggling government, being a bond of union between itself and the commerce of the country. After the restoration of peace its position became rather uncertain, especially as it received and acted upon a new charter from the State of Pennsylvania. With the establishment of the Republic on a new and firmer foundation in 1789, Hamilton, who became the first Secretary of the Treasury, desired to find a financial agent for the government which would be more distinctly national, and on a more definite basis than the Bank of North America. He therefore drew up and presented to Congress, as part of his report on the establishment of the public credit, his plan for the formation of a National Bank. The greater part of the report consists of a statement of his views on the nature of credit, the uses and limitations of paper money, the functions of banks, and the relation in which the government should stand to the national mechanism of exchange.

It was obviously Hamilton's intention that the proposed National Bank should stand to the United States Government in practically the same relation as the Bank of England stood to the British Government. It should rest largely upon the national debt, and should be at once the channel through which the government collects revenue and makes payments, the custodian of the surplus cash of the treasury and the money-lender from whom the government might obtain temporary advances in time of need. But, as in the case of the Bank of England, it must be essentially a free and independent corporation, consisting of private individuals and corporate bodies seeking by every legitimate means, in connection with the trade and commerce of the country, to further their own joint interests. Only on this basis could the bank be itself a prosperous institution, in normal and intimate connection with the economic life and strength of the nation, and therefore capable of being an effective aid to the government in time of need. It is to be the medium through which the government may, when necessary, find an immediate access to the resources of the

country in a fluid shape. Were the institution simply a department of the government, or controlled and managed by the government, it would be of little assistance to it when most required: for, instead of the government being able to depend upon the bank in time of need, it would simply find the bank an additional burden to carry.

Hamilton saw also that such an institution, from its financial connection with the government, would, under all normal political conditions, derive stability, and inspire confidence and respect both at home and abroad. This would enable it to maintain stable and uniform conditions in the interstate exchanges, as well as to carry on with confidence and dignity the international exchanges of the country.

The latter part of the report contains the draft of a plan for the constitution of a National Bank, followed by explanations of its leading features. On the lines of this plan a bill was framed by Hamilton and introduced to Congress for the incorporation of the Bank of the United States. After considerable discussion the bill was passed on March 2nd, 1791. The bank was soon in operation, and from the first achieved a marked success; its stock soon passed to a premium, which amounted at one time to fifty per cent.

In order to bring out the connection of the more essential banking features of the Act with the Canadian system, I shall give some of these sections in full, together with the corresponding sections of the Canadian bill. A skeleton of the other interesting features of the Act may be given as follows: The capital stock is placed at $10,000,000 in 25,000 shares of $400 each. Any person, corporation, or body politic may subscribe, under certain limitations as to the number of shares to be taken by each. The government of the United States is permitted to take stock in the bank to the extent of $2,000,000. The government subscribed for the whole of this amount. The instalments on the stock are to be paid, one fourth in gold and silver and three fourths in the public debt of the United States. The corporation was given the customary legal powers and was chartered for twenty years.

The very success of this bank was the chief cause of its downfall, through its failure to obtain a renewal of its charter.

Its stability and credit became so great, both at home and abroad, that its power and precedence in the American commercial world were very marked, giving rise to much jealousy, and causing it to be attacked on the ground of its aristocratic and un-American tendencies. These attacks received justification, in the eyes of many, from the very respect which the bank commanded abroad. Its shares were readily bought up in Europe, and especially in England; yet no stockholder residing abroad was permitttd to vote, and none but citizens of the United States were eligible as directors. Finally about 18,000 shares were held abroad and only 7,000 in the United States: still these 7,000 shares elected the directors and controlled the whole institution. When, in 1811, the period of the charter came to an end, the friction between the United States and England afforded the opponents of the bank an excellent basis for attack. The bank was represented as an engine of the British Government planted in their midst, capable at any time of working, in some mysterious way, untold destruction. The demagogues prevailed and the bank was forced to wind up its affairs. Had England any desire to be revenged on the United States, it should surely be satisfied by the injuries wrought to the country through its Anglophobic element, in the name of frustrating English designs.

During the existence of the first Bank of the United States, the principles embodied in its charter naturally shared in the respect and credit of the institution itself; hence its charter was taken as a model for very many of the new banks which came into existence during that period.

As already noted, the commerce of Canada at this time, which was mainly in the hands of the English element, was closely connected with the United States. Quite a number of the merchants in the lower province had come from the American colonies before the separation from England; many others came after that separation. However their views as to British connection might differ from those of their brethren in the United States, there was little change in the social, economic and municipal ideas in which they had been trained. These ideas were not affected by their political allegiance, and were as well suited to the natural conditions of Canada as they were to

those of the United States. Those who came directly from Britain found their circumstances so completely altered that they naturally laid aside most of their old ideas and adopted others better suited to the customs and conditions of a new country. For a considerable time, following the independence of the American colonies, trade was practically free between the two countries, and even after restrictions were prescribed they were but very laxly enforced. The physical condition of the interior of the country made it necessary that certain portions of the United States should find an outlet through Canada, and some parts of Canada an outlet through the United States. Thus Montreal became the natural port of entry and outlet for Vermont and north-eastern New York; and before the opening of the Erie Canal, much of the trade of the western portion of New York State, and of all the trading posts in the territory bordering on the lakes and as far west as the Mississippi River, found its natural outlet through the Detroit, Niagara and Kingston route, finally centering at Montreal. Montreal was thus the Canadian city which had most constant and intimate relations with the American Republic. It was here that the first definite ideas on banking in Canada found expression, here the first effort was made to establish a bank in Canada, and here the first bank was afterward established.

In 1792, just after the successful launching of the Bank of the United States, we find the leading Montreal firms connected with the export and import trade of the country, attempting to establish a bank in Montreal with prospective branches in other parts of the country, as in the case of the Bank of the United States. As the constitution of this proposed bank does not seem to have survived in any form, we are unable to say definitely how closely it was related to Hamilton's plan. But in 1808, while the same firms were still the leading trading houses of Montreal, we find the renewal of the attempt to form a bank, this time with the co-operation of Quebec merchants. A bill to give effect to their petition was introduced in the Legislature of Lower Canada. The bill failed to pass, but it had been printed by order of the Legislature. Doubtless several copies are still in existence; one, at least, survives in the collection of Mr. Neilson, at that time proprietor of the *Quebec Gazette*. Through

the kindness of its present owner, Surgeon-Major Neilson, I have been able to examine it and compare it with the charter of the Bank of the United States. Allowing for the necessary changes required to adapt the American charter to Canadian conditions, the bill reproduces in a very literal manner every essential feature of the American Act. It contains several additional clauses, only one of which is of any special importance. The bank provided for in the bill was naturally on a smaller scale than that of the United States. The stock, outside of the contribution of the Provincial Government, was limited to £250,000, or $1,000,000, in shares of £25, or $100 each. Following the example of the Bank of the United States, provision was made for a Government subscription to the stock of the bank, not to exceed £50,000. This feature, though necessarily dropped in the articles of association of the private banks, which were the first to go into actual operation in Canada, was revived and included in the first charter granted in Upper Canada, that of the Bank of Upper Canada. Following the American model, again, the bill provided for subscriptions to the stock, not only by the Provincial Government, but by any corporation or body politic. As Lower Canada, unlike the United States, was not an independent nation, and had no regular national debt, freely selling on the market, in which subscriptions might be made, the instalments on the stock were to be paid in gold and silver only. Nevertheless the Provincial Government itself was privileged to create and contribute provincial debt, by paying its subscriptions to the stock in its own notes, bearing interest at six per cent., the interest to be paid half-yearly. Even the name of the bank was obtained by substituting the words 'Lower Canada' for the words 'the United States.' The bank might elect directors and commence operations after £10,000 in gold and silver had been actually paid in. Offices were to be opened in both Montreal and Quebec, and there were to be twenty-four directors, twelve for Montreal and twelve for Quebec. In connection with the directorate the Canadians made a slight innovation. The American Act makes no special provision for government representation on the board of directors, but the Canadian bill provides that if the Government shall subscribe not less than

£25,000 to the stock of the bank, then instead of this stock being employed in the usual way in voting for the election of directors, the Government should appoint two directors, one for Montreal, and one for Quebec. This feature also re-appears, slightly modified, in the first bank charter in Upper Canada. The only other new feature of importance appearing in the Canadian bill is the clause which provides "that no stockholder or stockholders shall be answerable in his, her or their private capacity or capacities, for the debts of the said corporation," with the exception of the directors who should overstep the limits of the debt which the corporation is permitted to contract. This clause, when reproduced in the articles of the private banks, gave rise to much hostile criticism.

I shall now give some of the corresponding sections of the American Act and of the Canadian Bill in which some of the more important details of Hamilton's banking regulations are expressed. Incidentally these sections will show how completely the Canadian Bill absorbs the American Act, and also what changes and additions were thought to be necessary in adapting it to Canada.

The numbers attached to the different clauses follow the order of the sub-sections of section 7 of the American Act. The same numbers are given to the corresponding Canadian clauses, although in the Canadian Bill there are a few variations from this order.

*Charter of the Bank of the United States*

1. The number of votes to which each stockholder shall be entitled, shall be according to the number of shares he shall hold, in the proportions following, that is to say: For one share and not more than two shares, one vote; for every two shares above two, and not exceeding ten, one vote; for every four shares above ten, and not exceeding thirty, one vote; for every six shares above thirty, and not exceeding sixty, one vote; for every eight shares above sixty, and not exceeding one hundred, one vote: and for every ten shares above one hundred, one vote. But no person, co-partnership, or body

*Proposed Charter of the Bank of Lower Canada.*

1. The number of votes to which each stockholder or stockholders, body politic or corporate, holding stock in the said corporation, shall be entitled on every occasion when in conformity to the provisions and requirements of this Act, the votes thereof are to be given shall be in proportion following, that is to say: For one share and not more than two, one vote; for every two shares above two, and not exceeding ten, one vote, making five votes for ten shares; for every four shares above ten and not exceeding thirty, one vote, making ten votes for thirty shares; for every six shares above

politic, shall be entitled to a greater number than thirty votes. And after the first election, no share or shares shall confer a right of suffrage, which shall not have been holden three calendar months previous to the day of election. Stockholders actually resident within the United States, and none other, may vote in elections by proxy.

2. Not more than three-fourths of the directors in office, exclusive of the President, shall be eligible for the next succeeding year. But the director who shall be president at the time of an election may always be re-elected.

3. None but a stockholder, being a citizen of the United States, shall be eligible as a director.

4. No director shall be entitled to any emolument, unless the same shall have been allowed by the stockholders, at a general meeting. The stockholders shall make such compensation to the President, for his

thirty and not exceeding sixty, one vote, making fifteen votes for sixty shares; for every eight shares above sixty and not exceeding one hundred, one vote, making twenty votes for one hundred shares; and for every ten shares above one hundred, one vote, making thirty votes for two hundred shares; but no person or persons, body politic or corporate, shall be entitled to a greater number than thirty votes. And all stockholders resident within this province or elsewhere, may vote by proxy, if he, she or they shall see fit, provided always, that such proxy shall be one of His Majesty's subjects, as hereafter designated, and do produce a sufficient authority from his constituent or constituents for so representing and voting for him, her or them. Provided also that after the first election of directors, no share or shares of the capital stock of the corporation shall confer a right of voting, either in person or by proxy, which shall not have been holden during three calendar months, at the least, prior to the day of election or of the general meeting where the votes of the stockholders are to be given.

2. Not more than nine (exclusive of the president or vice-president) of the directors in office, at each of the cities of Quebec and Montreal, shall be eligible for the next succeeding twelve months: but the directors who are president and vice-president at the time of an election, may always be re-elected.

3. None but a stockholder actually resident in this province and holding at least twenty shares in the capital stock, and being a natural born subject of His Majesty, or a subject of His Majesty naturalized by Act of the British Parliament, or a subject of His Majesty's having become such by the conquest and cession of this province, shall be capable of being elected or chosen a director of the said corporation, or shall serve as such.

4. No director shall be entitled to any salary or emolument unless the same shall have been allowed to him by a general meeting of the stockholders; but the stockholders shall make such compensation to the

extraordinary attendance at the bank, as shall appear to them reasonable.

president and vice-president for their extraordinary attendance at the bank as shall appear to them reasonable and proper.

5. Not less than seven directors shall constitute a board for the transaction of business, of whom the president shall always be one, except in case of sickness, or necessary absence: in which case his place may be supplied by any other director whom he, by writing under his hand, shall nominate for the purpose.

5. Not less than five directors shall constitute a Board for the transaction of business at each of the branches of the Bank at Quebec and Montreal, whereof the President or Vice-President shall always be one, except in case of sickness and necessary absence, in which case their places may be supplied by any other directors whom the President or Vice-President so absent, shall respectively by writing under their hands, appoint for that purpose. The President and Vice-President shall vote at their respective Boards as directors, and in case of there being an equal number of votes for and against any question before them, they respectively shall have a casting vote.

6. Any number of stockholders, not less than sixty, who together, shall be proprietors of two hundred shares or upwards, shall have power, at any time, to call a general meeting of the stockholders, for purposes relative to the institution, giving at least ten weeks notice, in two public gazettes of the place where the bank is kept, and specifying, in such notice, the object, or objects, of such meeting.

6. Any number of stockholders not less than ———, who together shall be proprietors of —— shares, or upwards, shall have power at any time, by themselves or their proxies, to call a general meeting of the stockholders for purposes relative to the corporation, giving at least six weeks notice thereof in at least one of the newspapers published at Quebec and at Montreal respectively, and specifying in such notice the time and place of such meeting, with the object or objects thereof: and the said directors or any seven of them shall have the like power at any time (upon observing the like formalities) to call a general meeting as above said, and if the object for which any general meeting called either by stockholders or directors as abovesaid, shall be to consider of a proposal for the removal of the President, Vice-President or other director or directors for maladministration, then and in such case the person or persons so proposed to be removed shall from the day on which such notice shall first be published, be suspended from the execution of the duties of his or their office: and if he be the President or Vice-President, his place shall be filled up by the remaining directors, to serve during the time of such suspension.

7. Every cashier or treasurer, before he enters upon the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than fifty thousand dollars, with condition for his good behavior.

7. Every cashier and every agent and clerk of the bank, before he enters upon the duties of his office, shall give bond, with two or more sureties, to the satisfaction of the directors, that is to say, every cashier in a sum not less than——— thousand pounds, with conditions for his good and faithful behavior, and every agent and clerk with the like condition and sureties in such sum as the directors shall consider adequate to the trust to be reposed in him.

8. The lands, tenements and hereditaments, which it shall be lawful for the said corporation to hold, shall be only such as shall be requisite for its immediate accommodation, in relation to the convenient transacting of its business, and such as shall have been bona fide mortgaged to it by way of security, or conveyed to it in satisfaction of debts, previously contracted in the course of its dealings, or purchased at sales upon judgments which shall have been obtained for such debts.

8. The lands and tenements which it shall be lawful for the corporation to hold shall be such only as are hereinbefore prescribed and limited. Provided always that the corporation may hold mortgages or hypothecations on all kinds of property which can by law be mortgaged or hypothecated, by way of security for debts contracted with the corporation in the course of its dealings, and also may hold such lands and tenements as shall be purchased at sales made upon judgments and executions, which shall have been obtained at the suit of the corporation for debts so contracted; or where the corporation, for debts so contracted, shall be an intervening party in any suit brought by any other person or persons; or where for such debts the corporation shall lodge an opposition with the sheriff *afin de conserver;* but in all such cases of purchase, the corporation shall be bound to sell the lands and tenements within——— years after the date of the purchase respectively so made by the corporation.

9. The total amount of the debts which the said Corporation shall, at any time, owe, whether by bond, bill, note, or other contract, shall not exceed the sum of ten millions of dollars, over and above the moneys then actually deposited in the bank for safe keeping, unless the contracting of any greater debt shall have been previously authorized by a law of the United States. In case of excess, the directors, under whose administration it shall happen, shall be liable for the same in their natural and private capacities; and an action of debt may, in such cases,

9. The total amount of the debts which the said Corporation shall at any time owe, whether by obligation, bond, bill or note, or other contract whatsoever, shall not exceed treble the amount of gold and silver actually in the bank arising from their capital stock (but exclusive of a sum equal in amount to that of the gold and silver actually in the bank arising from other sources than the said stock, as also exclusive of a sum equal in amount to the notes of the Government of this province, held by the Corporation as part of the general stock), unless thereunto

be brought against them, or any of them, their, or any of their heirs, executors or administrators, in any court of record of the United States, or either of them, by any creditor or creditors, of the said Corporation, and may be prosecuted to judgment and execution; any condition, covenant or agreement to the contrary notwithstanding. But this shall not be construed to exempt the said Corporation, or the lands, tenements, goods or chattels of the same, from being also liable for and, chargeable with, the said excess. Such of the said directors who may have been absent when the said excess was contracted, or created, or who may have dissented from the resolution or act, whereby the same was so contracted or created, may, respectively, exonerate themselves from being so liable, by forthwith giving notice of the fact, and of their absence or dissent, to the President of the United States, and to the stockholders at a general meeting which they shall have power to call for that purpose.

authorized by an Act of the Legislature of this province; and in case of excess the directors under whose administration it shall happen, shall be liable for the same in their private capacities (unless such excess shall have arisen in consequence of any of the agents hereafter mentioned having acted contrary to the regulations and instructions of the directors), and an action of debt in every such case may be brought against them, or any of them, their heirs, executors, administrators, and curators, and be prosecuted to judgment and execution, according to the laws of this province. But this shall not exempt the said corporation, or the lands, tenements, goods or chattels thereof, from being also liable for such excess. Such directors, however, as shall have been absent when the said excess was contracted, or shall have entered their protest against it upon the records of the Corporation, may respectively exonerate and discharge themselves therefrom, by pleading and proving such absence or showing such record.

10. The said Corporation may sell any part of the public debt whereof its stock shall be composed, but shall not be at liberty to purchase any public debt whatsoever; nor shall, directly or indirectly, deal or trade in anything, except bills of exchange, gold or silver bullion, or in the sale of goods, really and truly pledged for money lent, and not redeemed in due time: or of goods which shall be the produce of its lands. Neither shall the said corporation take more than at the rate of six per centum per annum, for or upon its loans or discounts.

10. The said Corporation shall not directly or indirectly deal in anything excepting bills of exchange, gold or silver bullion, or in the sale of goods really and truly pledged for money lent, and not redeemed in due time, or in the sale of stock pledged for money lent, and not so redeemed: which said goods and stock so pledged and not so redeemed may be sold by the said Corporation at any time not less than ten days after the period for redemption without judgment first obtained, any law or usage to the contrary notwithstanding; and if upon such sale of goods or stock there shall be a surplus (after deducting the expenses of sale) over the payment of the money, such surplus shall be paid to the proprietors thereof respectively. Neither shall the said Corporation take at the rate of more than six per centum per annum for or upon its loans or discounts.

11. No loan shall be made by the said Corporation for the use, or on account, of the government of the

11. The corporation is hereby empowered to make any loan or loans for the use or on account of this pro-

United States, to an amount exceeding one hundred thousand dollars, or of any particular State, to an amount exceeding fifty thousand dollars, or of any foreign prince or state, unless previously authorized by a law of the United States.

vince that shall be previously authorized by a law or laws of the Provincial Parliament.

12. The stock of the said Corporation shall be assignable and transferable, according to such rules as shall be instituted in that behalf, by the laws and ordinances of the same.

12. The stock of the said Corporation shall be assignable and transferrable according to such rules and forms as shall be established in that behalf by the by-laws, ordinances and regulations of the same, but no assignment or transfer shall be valid or effectual unless such assignment or transfer shall be entered or registered in a book or books to be kept by the directors for that purpose, nor until the person or persons making the same shall previously discharge all debts due by him, her or them to the said Corporation, which may exceed in amount the remaining stock belonging to such person or persons, and in no case shall any fractional part of a share or other than a complete share or shares be assignable or transferable.

13. The bills obligatory, and of credit, under the seal of the said Corporation, which shall be made to any person, or persons, shall be assignable, by endorsement thereupon, under the hand or hands of such person or persons, and of his, her, or their assignee, or assignees, and so as absolutely to transfer and vest the property thereof in each and every assignee, or assignees, successively, and to enable such assignee, or assignees, to bring and maintain an action thereupon, in his, her, or their own name, or names. And bills or notes which may be issued by order of the said Corporation, signed by the President, and countersigned by the principal cashier, or treasurer, thereof, promising the payment of money to any person, or persons, his, her or their order, or to bearer, though not under the seal of the said Corporation, shall be binding and obligatory upon the same, in the like manner and with the like force and effect, as upon any private person or persons, if issued by him or them in his, her or their private or natural capacity, or capa-

13. Bank obligations, bank bonds, bank bills, obligatory and of credit under the common seal of the said Corporation, signed by the President or Vice-President, and countersigned by a cashier which shall be made to any person or persons, shall be assignable by indorsements thereupon without signification thereof, any law or usage to the contrary notwithstanding. And bank bills or bank notes which shall be issued by order of the said Corporation, signed and countersigned as above said, promising the payment of money to any person or persons, his, her or their order, or to bearer, although not under the seal of the Corporation, shall be binding and obligatory upon the same, and shall be assignable and negotiable in like manner as if they were issued by private persons ; that is to say those which shall be payable to any person or persons, his, her or their order shall be assignable by indorsement in like manner and with the like effect as foreign bills of exchange now are : and those which shall be payable to bearer shall he negotiable by delivery only.

cities; and shall be assignable or negotiable, in like manner, as if they were so issued by such private person or persons; that is to say, those which shall be payable to any person or persons, his, her, or their order, shall be assignable by endorsement in like manner, and with the like effect, as foreign bills of exchange now are; and those which are payable to bearer shall be negotiable and assignable by delivery only.

14. Half-yearly dividends shall be made of so much of the profits of the bank as shall appear to the directors advisable; and once in every three years the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained upaid after the expiration of the original credit, for a period of treble the term of that credit; and of the surplus of profit, if any, after deducting losses and dividends. If there shall be a failure in the payment of any part of any sum subscribed by any person, co-partnership, or body politic, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

15. It shall be lawful for the directors aforesaid to establish offices

14. Half yearly dividends shall be made of so much of the profits of the bank as shall appear to the directors advisable, and shall be payable at such place or places as the directors shall appoint, of which they shall give public notice in a Quebec and Montreal newspaper at least four weeks before; and the directors shall every year at the general meeting for election thereof lay before the stockholders for their information, an exact and particular statement of the debts due to and by the bank, specifying the amount of bank notes then in circulation, and such debts as in their opinion are bad or doubtful, as also stating the surplus of profit if any remaining after deduction of losses and provision for dividends:

If there shall be a failure in payment of any part of the sum or shares subscribed by any person or persons, body politic or corporate, the party or parties failing in paying the first instalment of ten per centum succeeding the deposit of ten per centum hereinbefore required to be made at the time of subscribing, shall respectively forfeit the said deposit, to and for the use of the said corporation, and on failure of paying the other instalments or any of them, the party or parties failing therein shall lose the benefit of dividends (as well on the deposit as on the instalments paid by him, her or them) which shall have accrued prior to the time for making such payment and during the delay of the same, but shall not forfeit the principal sum of the said deposit excepting in the instance above said.

15. It shall be lawful for the directors of the bank to establish

wheresoever they shall think fit, within the United States, for the purposes of discount and deposit only, and upon the same terms, and in the same manner, as shall be practised at the bank; and to commit the management of the said offices, and the making of the said discounts, to such persons, under such agreements, and subject to such regulations, as they shall deem proper; not being contrary to law, or to the constitution of the bank.

16. The officer at the head of the treasury department of the United States shall be furnished, from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the said Corporation, and of the debts due to the same; and shall have a right to inspect such general accounts in the books of the bank as shall relate to the said statements: *Provided*, that this shall not be construed to imply a right of inspecting the account of any private individual, or individuals, with the bank.

offices, for the purpose of deposit and discount only, in such places in the provinces of Lower and Upper Canada as they shall think advisable, upon the same terms and in the same manner as shall be practised at the bank, and to commit the management thereof to such agents under such agreements and subject to such regulations as the directors shall deem proper, the same not being contrary to the constitution or laws of this province, or to this Act.

16. And be it further enacted by the authority aforesaid that the Governor, Lieutenant-Governor, or person administering the Government of this province for the time being, shall be furnished (at such times as he shall require the same) with statements of the amount of the capital stock of the Corporation, of the amount of debts due to and by the same, of the amount of monies deposited therein, of the amount of notes in circulation, and of monies on hand belonging to the said Corporation: and shall have authority himself, or by a person or persons for that purpose by him authorized and appointed, under his hand and Seal at Arms, to inspect the general accounts of the bank: provided that such inspection shall not extend to any right or authority to inspect the account of any individual or individuals with the bank.

The reasons for the failure of the Canadian bill to pass the Legislature need not be given here. What we are concerned with at present is the fact that the Canadian bill is a copy, somewhat extended in parts, of the American Act. It shows that the Canadians, at this time at least, were quite under the influence of the American ideas as expressed in Hamilton's plan. The only question which remains to be considered is whether the Canadians had really adopted these principles or had merely come under their influence temporarily. The subsequent history of Canadian banking shows clearly that these ideas were permanently adopted. They became the basis of the Canadian system, and all its after history reveals a gradual development, not without blunders, it is true, from these funda-

mental principles. In 1816, when the mistake of destroying the first Bank of the United States had been recognized, the second bank of that name was established, with much the same charter as the first. The following year the Bank of Montreal came into existence as an unchartered corporation. Its articles of association were published in the *Montreal Herald* in the latter part of May, 1817, and in several subsequent issues. Notwithstanding much search and many enquiries in likely quarters, I have, so far, been unable to find any copy of the *Herald* of that time. However, we know as accurately as need be for our purpose, what these articles were. The following year, 1818, three other unchartered banks were started, following 8losely the example of the Bank of Montreal. These were the Quebec Bank at Quebec, the Bank of Canada at Montreal, and the Bank of Upper Canada at Kingston. These likewise published their articles of association in the newspapers, and I have been fortunate enough to obtain a copy of each of them. On comparing them we find that, allowing for a few necessary verbal variations, they are almost identical. From what we know of the substance of the articles of association of the Bank of Montreal from contemporary references to them, we recognize that the articles of the other banks were simply copied from them. On comparing the articles of these private banks with the bill for establishing the Bank of Lower Canada, we find that these articles closely reproduce that bill, allowing for the omission of all that was specially required in a government charter, and the insertion of what was needed to give them the form of private corporations. This proves that the adoption of the principles embodied in that bill was not a temporary expedient, but undertaken with mature deliberation and recognized as expressing the intelligent convictions of the Canadian merchants on the subject. When, after several ineffectual attempts, the Bank of Montreal was at length successful in obtaining a charter, it was in accordance with their petition that it should be as nearly as possible in harmony with their articles of association. Here we have the beginning of that series of Acts which renewed from time, with such modifications and additions as were deemed necessary, the charters of the various banks,

at first individually, and now collectively under the general Bank Act. In our present Bank Act we may still recognize many features of Hamilton's first charter of the Bank of the United States. Indeed we may say that the present Canadian banking system is a much more direct and legitimate descendant from the plan drawn up by Hamilton than is the present banking system of the United States.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston

## THE LATE MR. E. H. KING*

### FORMERLY PRESIDENT OF THE BANK OF MONTREAL

#### SOME PERSONAL REMINISCENCES

THAT Mr. King was one of the most remarkable personalities that ever appeared in connection with Canadian banking is well known to those whose remembrance can go back to the time when he was connected with the Bank of Montreal.

My first recollection of him goes back as far as the year 1854. He was then accountant of the Bank of British North America in Montreal. A handsome, fair-haired, good-natured looking young man, no one would have suspected from his appearance what an extraordinary amount of resolution, strength and firmness was bound up in his character. He wrote a hand like copper-plate and had a singular aptitude for arithmetical calculation—an aptitude he was rather fond of displaying, to the astonishment of his fellow officers. This unusual aptitude for calculation stood him in good stead in the experience of after years.

When Mr. Davidson left the British Bank for the Bank of Montreal, he shortly afterwards took over Mr. King and Mr. Smithers. Mr. Smithers had been assistant manager. His career is part of Canadian banking history, as is that of Mr. King himself. He was a man of diametrically opposite temperament to Mr. King, but a very able banker.

Mr. King was for several years inspector. I remember

*E. H. King was born in Ireland in 1828. On coming to Canada he entered the Montreal office of the Bank of British North America, resigning in 1857 to become Inspector of the Bank of Montreal. On 1st June 1858, he was appointed Manager of the Montreal branch of that institution, and on 28th March 1863, he became General Manager. This position he occupied for five years, when, in November 1869, he was elected President of the bank. He retired in 1873, and until his death in April 1896, resided in England.

C. W. King

meeting him when on an inspection tour in an Ontario town, and hearing while there of the trenchant style in which his inspections were made, and how utterly regardless he was of the views and feeling of the agents or managers of the bank. In truth, the old style of inspection badly needed reform, for it was worse than useless.

After a time Mr. King became the manager of the Montreal office. There his powers developed in a remarkable degree. He thoroughly understood what was good banking and what was not; and his methods in dealing with matters as local manager were as trenchant as those which had characterized him as an inspector. He was a thorough man of business and a man of the world; who understood the requirements of business, and had a keen insight into the ways of men. He never scrupled to act, when action seemed to be required, no matter who might be in his way. I have heard bitter complaints again and again, not so much of what he did, as of the manner in which it was done. Possibly the time required such treatment. He once told me that it took five years of hard work to get the Bank of Montreal into proper shape.

On Mr. Davidson's removal to Scotland, Mr. King became general manager. This great office called forth all the powers and abilities that were in the man, and he entered from that time on a course of operations of a far wider range and bearing, not only on the position of the bank but of the whole country. At the time when he entered upon this office the government was indebted to the bank to an enormous extent. More than three-quarters of the bank's whole capital was locked up in advances to the government. This was before Confederation. The Canadian government at that time was in poor credit. I have seen in Blue Books letters from its London agents written in exactly the same tone and to the same purpose as banks assume towards a debtor whose bills are overdue. A Canadian of the present day can hardly realize the position in which Canada was at that time. The special danger of the position of the bank was, that the government could borrow no more money in England, while the debt to the bank was constantly increasing, and was a practical lock-up. Under these circumstances the genius of Mr. King came out conspicuously;

for the manner in which he delivered the bank was nothing less than a stroke of genius. Mr. Galt (afterwards Sir Alexander) was Finance Minister at that time. He had held the theory that it was the sole function of the government to issue notes for circulation. In conference with Mr. Galt, Mr. King saw that if the government could be empowered to issue notes for circulation, and to make them legal tender, a way could be brought about for this huge lock-up to be turned into active assets. Mr. Galt brought his measure forward. It was intended to apply to all the banks, prohibiting them after a certain date from issuing more circulation, and giving them compensation therefor for a term of years. I was cashier of the Bank of Toronto at this time, and saw that such an arrangement would be highly detrimental to the interest of the bank. I spent a great deal of time in Ottawa, and had interviews with Mr. Galt on the subject. My contention was that the bill should be made optional and not compulsory; and that was the final shape of the Act. The cashier of the Commercial Bank, which at that time was in high credit and doing a large business, was disposed to fall in with the Act. As a young banker I had little influence with other bankers, especially those at the head of far larger institutions than the Bank of Toronto was at that time. However, others finally saw the matter as I did, and no bank but the Bank of Montreal came under the operation of the Act,—that is, surrendering its circulation, and agreeing to issue none but government notes under compensation for a term of years. The details were managed by Mr. King with extraordinary foresight and ability, and a position of serious danger was turned into one of ease and immense profit. The bank became the agent of the government for redeeming their notes. All its operations at that time were of the nature of a monopoly. The government had no other bank account, and Mr. King exacted without mercy such rates of exchange and such profits as no second or third rate customer of a bank in these days would think of submitting to.

I remember well the measures he took when the legal tender notes were handed over to the Bank of Montreal by the government. He was determined to compel all the banks in the country to carry a portion of these legal tenders, which at

that time were viewed with great distrust, the banks preferring to hold gold. He entered upon the work of compulsion in his usual trenchant style, by putting an end to all arrangements for settlements at all the branches of the banks in every part of the country. This had the effect of compelling all the banks to hold gold for settlement in all the towns where they met the Bank of Montreal. The Bank of Toronto, though a very small bank at that time, was strong enough to determine not to submit to coercion. We accordingly provided gold at all our branches, and settled in gold for a considerable time after others had come to terms with Mr. King and had handed him gold for legal tenders on condition that he should resume settlements in the ordinary way. After a time, however, I concluded it might be best to be at peace, and made a proposal to Mr. King on the subject, which he accepted. We were, I think, the last bank to fall in with his views. But by that time he had secured command of a large part of the gold formerly held by the banks, and inaugurated the system of holding legal tender notes, which has subsisted almost unchanged to the present day.

While all this was going on, the American Civil War was raging. Gold went to a premium,—steadily increasing until it reached nearly 300. This state of things was naturally rather embarrassing, but to a man of genius like Mr. King, what was in itself embarrassing, was turned into a source of profit beyond the imagination of an ordinary banker to conceive. The operations of the bank in New York at that time were sometimes on a vast scale. Mr. Smithers was then one of the agents of the bank in New York, and I remember his telling me, many years afterwards, that the operations sometimes inaugurated by Mr. King, and which he (Mr. Smithers) had to carry out, were of such a character as almost to make his "hair stand on end."

Such operations must have been of the nature of speculation, more or less, and in the hands of a less able man than Mr. King they might have been highly dangerous.

It is, however, important to remember that there were at that time no such great financial magnates in New York as are

now able to command any number of millions. The Bank of Montreal was the most powerful factor in the position.

But a bank with such command of gold as the Bank of Montreal had in New York at this time, could make large profits in a perfectly legitimate manner. Gold could be lent from time to time at very high rates of interest. As security for the gold, current funds were generally deposited. These funds were employed again—so I was informed by Mr. King himself—in discounting commercial bills. The bank had the choice of such as were on the market, and took none but those of the highest classs. The ordinary rate for these bills was very high. The bank, therefore, during all this period was making double profits on its ordinary banking operations in New York, besides realizing, at times, large sums as the result of its operations in gold.

These extraordinary profits were reflected in the annual statements of the bank at the time. Dividends as high as 16 per cent. were paid, and enormous sums—as much as $1,000,000 at times—were added to the Rest in addition.

To obtain the amount of gold necessary for these operations, Mr. King carried out some very drastic measures with regard to the bank's business in Upper Canada. Loans were called in, advances reduced, and accounts closed at nearly every branch in Ontario. At one time a condition almost approaching panic prevailed, owing to the severity of the drain. There would indeed have been a panic, but for the manner in which the local banks of Ontario strained their resources to accommodate the mercantile public.

It was at this time, and owing to these very circumstances, that the Canadian Bank of Commerce started into existence, and rendered important service in filling the void created by the withdrawal of funds by the Bank of Montreal.

Of course there was a strong temptation to a man like Mr. King to gather in all the money that could possibly be raised from the ordinary discounts of the bank; seeing that double or treble the amount of profit they yielded could be obtained in New York.

But in the year 1867 or '68 a far larger measure, with regard to circulation, was brought forward by the government,

and it was well understood to be at Mr. King's instigation. The measure was to assimilate the circulation system of Canadian banks to that of the United States, by compelling them to cover the whole of their circulation by government securities. This measure would have suited the purposes of the Bank of Montreal exceedingly well; for with its enormous capital and rest, and no circulation of its own, it could very well adapt itself to the requirements of the Act. And so able a man as Mr. King was sufficiently far-sighted to understand that it would inevitably so cripple the operations of smaller banks as to compel them to lean upon the Bank of Montreal continually for assistance, by rediscounting the bills of their customers. The measure, in fact, would have raised the Bank of Montreal to the position occupied by the Bank of England in the mother country.

The proposal met with strenuous resistance from the smaller banks, and in this the Bank of Toronto took a leading part. The banks in the maritime provinces also lent very important assistance and influence to the cause. It seemed, however, at the outset, a hopeless undertaking.

I well remember the first conference had in Ottawa on the subject, which I attended almost at the risk of my life, for I rose from a sick-bed, just recovering from a fever, and was in such a condition of weakness at the conference that I could hardly speak. All was discouragement and confusion. No one seemed exactly to know what to do, or how to go about it. The Bank of British North America withdrew from concerted action with the other banks, and the rest were left to carry on the contest alone. But it was waged at length very strenuously.

The banks who had the burden of moving the crops saw that the system proposed was utterly unsuitable to the circumstances of an agricultural province like Ontario, and also to the circumstances of Nova Scotia and New Brunswick. It would have brought about a severe periodical stringency, and interposed serious obstacles to the conduct of mercantile business generally. The smaller banks, therefore, used all their influence in parliament and elsewhere against it.

The government was very strong, with Sir John Macdonald and Sir George Cartier at the head of it, and command-

ing a large majority in parliament. But some Conservative members—notably Mr. Hillyard Cameron in the Lower House, and the Hon. Mr. McPherson, in the Upper, with some supporters of the government from the maritime provinces, took the side of the smaller banks, and rendered invaluable service in the contest.

I was secretary of the Association of the smaller banks at the time, and spent a good part of two sessions, off and on, in Ottawa.

The cashier of the People's Bank of Halifax, Mr. Peter Jack, a very able man, was in Ottawa almost as much as myself. He had a remarkable aptitude for the work that required to be done—of convincing individual members that the measure was undesirable and dangerous to the mercantile interests of the country; and especially to Ontario and the maritime provinces.

Mr. King, on his part, was by no means idle, but took some strong and characteristic measures, which need not be further detailed here, to influence the opinion of parliament and the country; and the Bank of Montreal was so powerful that some even who shared our views represented that it was absurd to think of successfully opposing him.

The prospect at one time was very gloomy, and a special meeting of the banks interested was called to consider the position. The conference was held in the board room of the Bank of Toronto, and amongst others present were Sir Hugh Allan, Hon. Wm. McMaster, and other presidents and cashiers of banks. The matter was fully discussed, and the meeting came to the conclusion that further agitation of the matter should be dropped. I was a comparatively unknown young banker at this time, and said very little at the conference. But after its close, I was so strongly impressed with the dangers that would result from the acceptance of the government measure, that I determined that the contest should not be given up without a last effort to continue it. The president and vice-president of the Bank of Toronto were quite ready to further my views. I came down, accordingly, to Montreal, had interviews with other banks, went on to Quebec and had other interviews there, and corresponded with the banks in New Brunswick and Nova Scotia. The result was that we all took heart, gathered up our

forces, presented a united front to the government, and finally compelled attention to our views.

It is difficult at this day to imagine the enormous force of Mr. King's personality in the banking world at the time, and also the force of his personality with the government of the day. The fact above stated, that men of the calibre of Sir Hugh Allan and Hon. Wm. McMaster were disposed to succumb to it, is a sufficiently striking illustration of this.

As time went on it was evident that we were making an impression, and at length Sir John Macdonald saw that it was not desirable to press a measure which so many of his followers disapproved of, and against the further stages of which they would vote.

Shortly after this Sir Francis Hincks was made Finance Minister. He was unpledged and uncommitted. He was thoroughly acquainted with the business and requirements of Ontario, and grasped the whole position with the ability that distinguished him. He made proposals to the smaller banks. After several conferences a scheme was sketched out by which the banks were allowed to retain the whole of their circulation, except the small notes. This, with certain restrictions as to the amount to be issued, amendments to the goverment returns and modifications of the Dominion Note Act, became the basis of the future circulation of the country.

This was practically a defeat for Mr. King; but he took it philosophically, and met the other bankers in the conferences which took place in Ottawa, rendering admirable service in arranging the details of the Act by which the charters of the banks were amalgamated, and the whole business of banking in Canada placed under one statute.

The Bank of Montreal, meanwhile, was carrying on these vast operations in New York which were so highly profitable, and for which such immense scope was afforded by gold still continuing to be at a premium. Ontario was more and more drained of money to supply these great operations; and the business of the bank with the government was conducted in a style that affords a remarkable contrast to the dealings of the government with the banks of the present day. Immense profits were made out of the government account; and although

the bank had drawn very large sums from Ontario, its business in Montreal and in some other centres of wholesale trade was still on a large and profitable scale.

Even after the practical defeat of Mr. King's great measure for revolutionizing the currency, his predominance in the banking world proper continued to be as great as ever.

The capital of the bank was constantly increased, and issues of new stock made at such a premium as resulted in large profits to those who were already holders. The Rest continued to be augmented year by year, by amounts entirely unheard of at the present day, until the capital reached the enormous sum of $12,000,000, and the Rest $6,000,000. These figures, however, were not finally realized until a year or two after Mr. King's retirement. This placed the bank in a position far beyond anything known on the continent of America, and made it what it has ever since been, one of the largest banks in the world.

Mr. King's income from the bank during these years of abnormal prosperity was generally understood to be very large, being augmented by considerable sums allowed him yearly in the shape of a commission on all the profits exceeding a certain percentage—a somewhat dangerous arrangement, and one offering a great temptation to swell up profits by not making a proper allowance for bad and doubtful debts. Mr. King, however, was not the sort of man to make mistakes of that kind.

A few years after the passage of the Bank Act in 1871, it was announced that Mr. King would retire from the bank—an announcement which proved true. His retirement was the occasion of a magnificent presentation, and testimonials to his extraordinary career as a banker at the annual meeting of the bank in 1873.

Of his subsequent life there is little to be said. He retired to England in the possession of a very handsome fortune. It was supposed by some that he would take a leading position in the financial world there, but this he seems to have had no inclination to do. As chairman of the board of the Bank of Montreal in London, he kept himself in touch with the bank's operations, and it was understood that on one critical occasion he interposed with such effect as to overrule a decision come to

by the board in Montreal. Apart from this office, however, Mr. King took no part in the financial business of the metropolis. He lived a life of dignified ease, and on one occasion refused a seat in Parliament when offered. Occasionally he visited this continent, and spent a little time in New York and Montreal. On some of these visits I have met him and talked over old times, respecting which he was very chatty and agreeable.

His death at Monte Carlo brought to a close a career which was the most remarkable, by far, of any that have transpired in the banking history of Canada.

G. HAGUE

Montreal, 28th September

## THE FUTURE OF BANKING

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

IN any attempt to forecast the future of banking it is necessary to find out on what lines trade and commerce are developing. By studying this in conjunction with the influences at work on banking from within, we may best determine the conditions under which bankers will likely labor in the future. We are told that deposit banking was the first form of banking to come into existence, and that receiving deposits and paying them back again in some form or other, is the natural basis of all banking. Bankers employ in the regular channels of trade the funds that are entrusted to them by depositors. Consequently the system of banking in force at any time, will be that best adapted for carrying on the commerce of the same period. As the subject does not confine competitors to a consideration of the form of banking in existence in any one country at a future time, the writer interprets the intention of the Committee to be a desire to have it discussed from a general view. There seems to be ground for the hope that in the next century Anglo-Saxons will exert a preponderating influence on the affairs of the world, on account of their energy and enterprise and their rapid ratio of increase in population. When we consider that at the commencement of the present century there were but 20,000,000 English-speaking people in the world, and that at the beginning of the last decade of this same century this number had increased to 101,000,000, anyone can see that our race, being pre-eminently a trading race, is bound to have a vast influence on the world's trade. While the United States may ultimately become the most influential trading nation, still the unfortunate condition of their financial affairs, and the inability of their legislature to cope with the difficulty, will prevent them from displacing England from the foremost

place for many years to come. It will be the purpose, then, of this paper to trace the lines on which trade is developing, and to deduce from that, and from the changes that are going on in banking itself, some of the conditions of future banking in Great Britain, the United States and Canada, giving special attention to Canada because it concerns us more directly. The mode of procedure will be to take each country and give an account of recent developments, first in the trade, then in the banking, and finally a recapitulation, with the opinion of the writer as to the state of affairs which will evolve from the influences and tendencies discussed.

### GREAT BRITAIN

The prevailing tendencies which appear to be at work in British domestic trade are the conversion of private businesses into joint stock limited liability concerns, and the more general use of the cash system. Also there is the tendency of factories, mills, etc., to forsake crowded cities and locate in suburban districts, where rents, rates and other expenses are lower. The means of communication by telephone and telegraph, and railway facilities for carrying goods, have improved so much that there is no longer the necessity to have the factories in a congested district of a great city.

Another influence at work is that bringing about a more equal distribution of wealth. M. Claudio Jannett tells us that there are not now in France more than 700 to 800 persons who have an income of over ten thousand pounds a year, and not more than 18,000 to 20,000 persons with two thousand pounds and upwards; that the national debt of France has doubled since 1869, but the holders of it have quadrupled; that one-half of the bonds of the city of Paris are held by the owners of one bond only.

Mr. Goschen tells us of the increase of moderate incomes in England. Death duties tend in the levelling of large fortunes. Taxes on estates of deceased persons are graduated, from a small tax on modest estates up to as high as nearly 10% on very large ones. Mr. Shaw-Lefevre says that the laboring men have benefited enormously by the fall in prices of produce since 1873. This is supposed to have hit farmers and producers

hard, but it has raised the standard of living very materially, and many things which were formerly beyond their reach can now be had by persons of moderate incomes. On the other hand, it is a question whether farmers have not reaped enough benefit from the cheapening of the necessaries of life, to compensate them for the decrease in the value of their produce. Besides produce, hardware, shoes, clothes, furniture, etc., have been immensely lowered in price. The cost of tea, sugar, oil and flour has decreased so much in twenty years that the wages of ordinary laborers go from 30 per cent. to 40 per cent. further than in 1873. The rich are not benefited so much by these reductions, as the mere cost of living is not such a large proportion of their total expenses.

In foreign trade there has been a continued depression since the Baring crisis of 1890, and business men have been much discouraged by its long continuance. It has been accompanied by an unexampled glut of money.

Causes advanced are: that the Baring crisis was not allowed to spend its force at the time, thus bringing on a protracted period of sifting out. Weak houses were carried along and afterwards dropped. Then before trade had time to recover came the Australian crash, and the panic in the United States in 1893.

Investments in foreign countries have temporarily almost ceased. Those who have money to invest have received bad scares from the events just mentioned, and by the bad faith of other foreign debtor nations, so that they have preferred allowing their money to lie idle in banks to buying the usual amount of foreign stocks.

Great Britain has been taxed quite heavily to maintain her lead over her rivals in the race for foreign trade. Whenever a continental power becomes possessed of a new colony, the first thing it does is to raise the "protection" fence, as the only means of enabling it to compete with British trade. Consequently in order to reserve markets for herself in the future, and to provide places where the overflow of population may concentrate, Britain has been compelled to join in the craze for empire building that is possessing the European nations.

Turning to the banking aspect, the most striking features

are the number and importance of bank amalgamations; the extension of branch offices; the rapid increase of deposits, and the inability of banks to find employment for this money in bill discounting, their accustomed way; the consequent heavy holding of cash and investment stocks.

The English *Banker's Magazine*, October, 1892, informs us that there were then 100 fewer banking firms than in 1867, and that 60 of these disappeared by amalgamation or coalition since 1884. In connection with this, the number of bank branches opened between 1876 and 1892 was 1,553, and of these about one-half were in places where no bank office was in existence before.

The causes of these amalgamations and establishment of branches are the same as operate in commerce to form joint stock companies and combinations; a desire to centralize management and reduce expenses. Banks are influenced too by the expectation of maintaining their profits by extending their operations into districts where higher rates prevail than in London. The majority of these coalitions are between a London bank on the one side and a provincial bank on the other. The city bank has discovered that rates are so low in London that it cannot maintain its dividend unless it can establish good country connections. In the country the nominal rate for three months trade paper is from 3½ per cent. to 4 per cent., and the same paper in London is ¾ per cent.

On the other hand the country banker has not been making as much money as he used to, and he begins to think it is not worth while to have all the worry and carry the liability of his business for such small returns. As these profits go to swell the totals of the whole concern, if this bank is converted into a branch of a large bank, and the banker retains his interest in the business and has a voice in the management, and the London bank on its part gives a city connection and a seat in the Clearing House, it is not difficult to come to an agreement.

These amalgamations have affected profits favorably by increasing the prestige of banking generally. The public has more confidence in a few strong banks with numerous branches than in a large number of separate and smaller concerns.

Again a widely extended branch system is a great factor in

collecting deposits. Mr. F. E. Steele, in an article on "Recent Banking Development," considers that the branch extension craze has about run its course, because "in many neighborhoods there are signs that banking requirements, once neglected, are now adequately filled." He thinks that the branches now established will remain, and by the gradual growth of their business become increasing sources of profit.

Before going further it will be interesting to compare the number of persons to each bank office in some principal cities and towns in England, Scotland and Canada.

| England | | Scotland | | Canada | |
|---|---|---|---|---|---|
| Birmingham | 10,500 | Aberdeen | 5,500 | Halifax | 5,500 |
| Bradford | 18,000 | Dundee | 10,200 | Hamilton | 5,500 |
| Leeds | 19,300 | Edinburgh | 3,900 | Montreal | 9,000 |
| Liverpool | 11,300 | Glasgow | 4,700 | Ottawa | 4,000 |
| Manchester | 5,800 | Greenoch | 6,900 | Toronto | 6,000 |
| Sheffield | 21,900 | Perth | 2,500 | Winnipeg | 4,000 |

Of course the greater privileges in the way of note circulation enables the banks in Scotland and Canada to provide better accommodation to the public in the matter of bank offices than can their brethren in England.

The facility of attracting increased deposits by branch banks is the more important as the margin of profit on bank deposits declines. Banks must now turn over a much larger amount of business to earn the same net profits that they have in the past. As it has not been the general custom of English banks to publish their accounts until recently, it would be difficult to say how much bank deposits have increased of late years. Mr. Jas. Dick estimated in 1892 that total deposits in banks in the United Kingdom were £1,000,000,000, of which £114,000,000 were in the savings banks, leaving £886,000,000 in the hands of the other banks. We know that the deposits held by the National Provincial Bank of England have increased from £25,000,000 in 1875 to £42,700,000 in 1895. The following statement taken from August, 1895, number of the English *Banker's Magazine*, will show the increase in ten years of some banks' deposits, also the disposal they have made of the money.

### JOINT STOCK BANKS IN ENGLAND AND WALES

| | |
|---|---|
| 108 banks, including Bank of England, in May, 1885, held deposits of | £318,000,000 |
| 100 banks, including Bank of England, in May, 1895, held deposits of | 456,000,000 |

Being an increase of £138,000,000, about 42%

#### CASH IN HAND AND MONEY AT SHORT CALL

| | |
|---|---|
| May, 1885 | £ 82,000,000 |
| May, 1895 | 139,000,000 |
| Increase in ten years | £ 57,000,000, nearly 75% |

#### INVESTMENTS

| | |
|---|---|
| May, 1885 | £ 86,000,000 |
| May, 1895 | 128,000,000 |
| Increase in ten years | £ 42,000,000, nearly 50% |

#### DISCOUNTS AND ALLOWANCES

| | |
|---|---|
| May, 1885 | £253,000,000 |
| May, 1895 | 306,000,000 |
| Increase in ten years | £53,000,000, about 20% |

### JOINT STOCK BANKS OF SCOTLAND

#### DEPOSITS

| | |
|---|---|
| May, 1885 | £ 83,440,000 |
| May, 1895 | 93,296,000 |
| Increase in ten years | £ 9,856,000, or 12% |

#### CASH IN HAND AND MONEY AT SHORT CALL

| | |
|---|---|
| May, 1885 | £ 15,000,000 |
| May, 1895 | 22,000,000 |
| Increase in ten years | £ 7,000,000, nearly 50% |

#### INVESTMENTS

| | |
|---|---|
| May, 1885 | £ 24,000,000 |
| May, 1895 | 31,000,000 |
| Increase in ten years | £ 7,000,000, or 28% |

#### DISCOUNTS AND ALLOWANCES

| | |
|---|---|
| May, 1885 | £ 64,000,000 |
| May, 1895 | 61,000,000 |
| Decrease in ten years | £ 3,000,000, nearly 5% |

The increase in "Investments" and "Cash," and "Money at Call" is particularly noticeable, while in England the "Discounts" show a small increase and in Scotland a decrease. The prolonged depression and dullness in trade, and the many scares and losses which investors have had to face, have caused them to allow their money to accumulate in banks until times begin to improve. Mr. Giffen estimated in 1885 that the accu-

mulation of money in the United Kingdom was £200,000,000 per annum, and in the absence of the usual out-flow of money this immense sum is sure to make itself felt. This cause alone is sufficient to vastly increase the supply of loanable capital lying idle. But other causes have been at work also. The introduction of steam power has so increased the speed with which products and manufactured articles can be forwarded to distributing points, that much less capital than formerly is locked up in the shape of goods in transit. Also in the early part of the present reign much capital was used in building railways and in equipping them. The development of Australia and Argentine also required money. Then the cash system being introduced and wholesale and manufacturing firms becoming joint stock concerns trading on money borrowed from the public on debentures, has operated to decrease the amount of money wanted from banks. Bank chairmen report that cable and telegraphic transfers have materially lessened the number of bills for discount. Insurance companies lend largely on the security of their policies. On the head of all these causes we are told by Mr. W. R. Lawson in *Banker's Magazine*, that the next fifty years will witness a flood of gold. He says that in the "fifties" there was a glut of gold; but the production then was £26,000,000 a year. From 1870 to 1887 it declined continually.

| | |
|---|---|
| In 1887 the production was .................. | £21,000,000 |
| " 1893 " " .................. | 31,500,000 |
| " 1894 " " .................. | 36,000,000 |
| " 1895 " " estimated was........ | 40,000,000 |

Experts claim that from the Rand mines alone in the Transvaal £700,000,000 in gold will be taken in the next 50 years. Mr. Lawson declares that against the much smaller production of former years there were some extraordinary demands, such as Germany's new gold coinage, the accumulation of the war chests of Germany and Russia, the resumption of specie payments by the United States, and the gold reserve of the Bank of France was gathered. Now these demands have ceased, and we are confronted with an enormous increase in the supply.

The causes of the increase are: the discovery of new and rich mines, and improved methods and machinery by which old

abandoned mines can be worked at a profit, and therefore old mines are starting up all over the world.

As London is the only free and open gold market, the probability is that the precious metal will continue to pile up in the Bank of England, and thus make ½ per cent. money a permanency. He concludes his paper by the suggestion that if the flood gets too heavy it may be necessary to close the mints to the free coinage of gold, or to limit its legal tender power.

All these things have operated to increase the amount of money in bankers' hands, and at the same time to decrease the amount which could be let out in bill discounting. As mentioned before, bankers have so far disposed of the additional money by largely increasing their cash on hand, and also their fixed investments. They buy consols, Colonial and Indian Government bonds, British railways and other first class stocks.

Another change has been working in the increasingly small amounts for which cheques are drawn. Not very long ago, when a customer drew on his banker for a less sum than twenty to twenty-five pounds, he would write him an apology, and explain that it was for some special purpose. Now, however, in every bundle of cheques paid by a bank there will be found a large number of them for small amounts, some even under twenty shillings. The increased facilities of parcel post and railway carriage of goods have made it so much easier for people in small places to buy at a departmental store in some different locality, and have goods sent to them; and the most convenient way of settling is to write out a cheque and send it by mail. The franchise, so to speak, of bank accounts has been lowered, and many more people make use of them now than in earlier times. Then a bank account was rather the privilege of the few than the habit of the many. The writer of the *Bankers' Magazine* article on this subject says in conclusion that the transmission of money in small sums like this is bound to be a considerable part of a bank's duties in the future, and that banks should meet the demand by issuing some form of prepaid cheque books for small amounts like the postal notes.

As a conclusion to the recital of tendencies in British banking, it is interesting to note the particulars of the formation of the "Robinson South African Banking Company" by J. B.

Robinson, the millionaire mine owner of South Africa. Of the capital of £3,000,000 two-thirds is invested in mining shares, and the remaining £1,000,000 in cash and advances to London discount houses. In his inaugural address the Chairman said: "He would never have agreed to concentrate his attention and energy on a bank which was intended to do ordinary banking business only, but his object had been to establish an institution which should be free to take up virtually any profitable business which might be offered to it, and to turn that business to the advantage of the shareholders."

While this might be a process of unloading mining shares on the public, still in these days of changes bankers will watch with interest the fate of this new bank formed on principles which must be startling to members of the fraternity all over the world.

### THE UNITED STATES

A most bewildering set of influences is at work in the United States at the present time, and it would be a difficult matter to tell which will prevail. Here, as in Great Britain, the idea of centralization and combines seems to have taken root. In the United States, however, it finds vent more in the form of huge "trusts" than joint stock companies. In a trust a number of factories or mills controlling the out-put of a certain article of commerce will form the united business into shares, and all these shares will be handed to a few individuals as trustees. The different factories or mills preserve their identity, but their out-put and prices are regulated by the trustees.

American manufactures tend to increase steadily. The exports of manufactured articles have grown from $68,000,000 or 15 per cent. of the total exports in 1870, to $183,000,000 or 21 per cent. of total exports in 1894. Of course agricultural products form as yet the great bulk of the exports, but as the country fills up and more mouths are to be fed at home, and less space is left to do it with, the proportion of food-stuffs exported will decline. The enormous natural resources such as coal and other minerals, water power, etc., are factors which will contribute materially towards making the United States a great

exporter of manufactures. In produce just now the country is experiencing severe competition from Argentina, India, and Russia. For a long time they held almost a monopoly in European markets, but the development by railways of the three countries just mentioned, increased the production of the world so much that values have fallen immensely, thus affecting American exports considerably. The heavy exports of produce, combined with a steady flow of European capital into America, caused a net importation of gold as payment of the balance due United States, after meeting claims for interest on foreign capital and imports of merchandise. During the last few years, however, the tide has turned. Foreign investors have lost so heavily by manipulation of American railways and other investments that the country has become discredited, and a backward flow of capital to Europe is going on. Another factor has come into prominence. The spendings of rich Americans travelling in Europe have increased tremendously and are now estimated at considerably more than $100,000,000 a year. These causes, combined with the decline in the value of exports, have converted the net imports of gold into a drain of the metal out of the country. A continued outward flow of gold in itself causes much inconvenience, but when it acts on defective currency and banking systems, as it does in the United States, the disturbance is increased. Many writers have dwelt upon the particular evils of both systems, and Americans themselves frankly admit that things are in a bad mess, but the difficulty commences when a remedy is proposed. There are so many local and selfish interests warring against each other that every attempt so far to effect a cure has proved futile.

Their legislature, instead of being a power to foster trade and prosperity, is one of the worst enemies of both. By its continual tinkering with tariffs and currency laws it has made itself the dread of the mercantile community, which scarcely ever knows what sort of a tariff it may be working under a year ahead.

Americans are much attached to their local banks, and seem to fear that large banks would be terrible monopolists. They reason that a bank established in a small town with capital subscribed by citizens, and two or three prominent

local men on the directorate, is more likely to accord them liberal treatment, and to advance money for development of local industries, than would a bank managed away off in New York, Chicago, or some other centre.

Perhaps the most striking feature in an American panic is the dearth of currency, although in normal times there is almost a redundancy of it. This is caused by simultaneous demands made by the nine thousand odd banks through the country on their bankers or agents in the reserve cities for cash to strengthen themselves and increase available resources. It has been pointed out again and again that with such a currency system as prevails in Canada this condition of affairs could not happen.

Many remedies have been suggested, some being modifications of the Canadian system; but pride will not suffer Americans to borrow anything from Canada. If their banks were allowed a free hand they would branch out in various directions, but the law does not permit this. Some of the banks in New York and other large cities are practically owned by two or three great capitalists, who also own the stock of other banks in desirable districts, which virtually act as branches of the central bank, although working under other names.

It seems likely that the continuance of the gold outflow will bring about periodical disturbances, and a premium on gold, and the Treasury will be forced eventually to face the loss of realizing on the $350,000,000 of silver in their vaults and retire the silver certificate, and to give the National Banks the privilege of issuing notes on their general credit under proper safeguards for the public, by the formation of a guarantee fund or otherwise. If during these troublous times in the neighboring country, Canada goes on the even tenor of her way as she did in 1893, Americans cannot but be influenced by her immunity from these crises, notwithstanding the intimate trade relations of the two countries.

### CANADA

Canada is primarily an agricultural country, and in the future she is destined to do her share towards feeding the more crowded sections of the earth. As her climate is not as

attractive as that of many other countries which are inviting settlement and development, it is natural to suppose that there will be no great rush of immigration until other places are more or less filled up. By a policy of protection some manufactures have been built up, but the principle of protection is bad, and it is not improbable that in time it will be universally recognized that it is poor policy to make the mass of the people pay more for an article than it is worth, in order that the money necessary to convert the raw into the manufactured article may be spent within the country. It is true that much of the tariff is required for revenue, but direct taxation seems to be a fairer method of obtaining the necessary revenue, than to place artificial restrictions on the natural course of trade, and to force money out of a particular class by the taxation of luxuries. When the forces which have been mentioned as working for a more equal distribution of wealth have been in operation for some time, it is possible that this will be more generally admitted.

As the farmers are always considered to be the backbone of an agricultural country, we will see how things are tending with them. In purely grain and produce farming it is not likely that joint stock companies will meddle. For every field that is sown the need of the personal superintendence of one more interested than a hired employee is so great, that this class of farming is more likely to remain in individual hands. Wherever the land is particularly adapted for grazing purposes our friends the large companies will come in again. This will apply to much of the land in the North-west, where there are illimitable pastures for cattle, sheep, hogs, etc., and where there are already large ranch companies at work. The capital required for this is larger than one man can easily provide.

Dairying and cheese-making are industries as yet practically in their infancy, which will be expanded immensely. The Dominion and provincial governments have taken very creditable parts in encouraging this branch of Canada's trade, and as the great point is to preserve the excellent quality of our articles, as well as increase the quantity, measures have been taken to prevent adulteration, and to ensure skill and care being used in the manufacture. More competition for the possession of the

British markets may be experienced from Australia in the future. At a recent meeting the chairman of one of their banks drew attention to the amount of dairy products imported by England, and that Australia's climatic and natural advantages in the way of wintering the stock without the great expense that was necessary in places which now supply a large part of England's demands, should give her a bigger share of the trade. However, Canada has a good start, and is earning a name for the purity and good quality of her product, and as long as she maintains that there is plenty of room for increase.

Our minerals and fisheries are in course of development. Mines are not being worked as extensively as they might be, but the introduction of improved machinery may remedy this by making it profitable to work some mines which would not pay under old systems. And as regards the fisheries, the Dominion government takes care to keep the lakes stocked from their fish hatcheries.

Coming to the forests, we see an industry that is doomed, like the fur-trade, to extinction, as population increases. Lumbermen are obliged already to search in many regions before considered inaccessible, for timber. It is only a question of time when our timber lands are all clear. Perhaps some other material will supplant wood in house-building as coal has already supplanted it for fuel. The fruit business in Niagara district is getting into the hands of a few large nurseries, who are buying more land and extending their operations every year.

Canada is doing her part manfully in assisting schemes for the extension of her shipping trade, and there is no reason why she should not in the future enjoy the profit from the carriage of her products to Europe.

In the retail trade of the country we see the same tendency to departmental stores mentioned before. As yet this movement is confined more to the large cities. It is interesting to note that this is a return, in a manner, to the original stores which existed during the early history of the country. Then there would be only enough business in one district for one store which dealt in everything, as the departmental stores do to-day. As population increased each man went into business in his own particular line. Now again we have the departmental

system on the cash basis, and it is gradually forcing weak traders to the wall. This will eventually prove a blessing to the mercantile community, because now there are too many men in business with little or no capital. They fail and offer so much on the dollar, and their creditors feeling that they will make less loss by accepting the offer, suffer them to continue in business. Their ranks are recruited from a certain class of young men who have good positions in strong business houses. They accumulate a sum of $2,000 or $3,000, and becoming ambitious, start business for themselves, perhaps with the idea that the difference between cost price and selling price of their goods is all profit. They give credit and get spread out, and the end is soon. Competition among banks is responsible for the existence of many of these traders. The wholesaler who carries one of this class enjoys perhaps good credit himself, and he will not suffer his banker to cull the doubtful stuff out of his discount line, because he knows that another bank will take his account and discount every piece of paper he chooses to submit. His banker knows this also, and as the account is a good one the paper is carried. If there was a good understanding between banks, and wholesale houses were unable to get paper of this class discounted, they would not be so ready to extend credit.

While on this subject it may be said that the desire of local managers to do more business and show more profits, often leads them to take paper that would not be approved by their head office. This is one of the evils of the branch bank system.

Turning to banking affairs, we know that the Canadian banking system is modelled chiefly on that of Scotland, with the exception that Canadian banks have greater freedom in regard to note issue. All that Scotch banks have been to Scotland, our banks have been to Canada. We learn from Dr. Breckenridge's history, of the beneficial results of the parental control exercised over the early banking legislation of Canada by the Imperial government. It is a matter of great importance that a new country should start right in these matters, and we have reason to be thankful to the Colonial Office for withholding the Royal assent from some unwise measures on banking.

Among the changes at work in Canadian banking, the first to be noticed is the tendency of bank note circulation to decline. The government returns show that the circulation increased steadily from $11,000,000 in 1869, to $29,000,000 in 1873. A period of depression then set in, and we find the bank circulation declined $5,000,000 in one year. There was no improvement until 1880, when it bounded up to $27,000,000. In 1881 it reached $32,000,000, and in 1882 $36,000,000. Then there were declines of three and two millions respectively in 1883 and 1884, then an increase to $35,000,000, and ever since the tendency has been to decline. Much of the decline has been brought about by the greater use of cheques, and by the rapidity with which the notes find their way back to the issuing bank through the many new branches which have been opened. We learn from the history mentioned that in 1881 there were 287 branch offices of banks in Canada. This number had increased in 1894 to 444, and of these 225 were in places where there was no other bank. All these branches collect the notes of other banks in their district and hurry them forward for redemption as quickly as possible. The increased use of cheques seems to be the outcome of the more general use of bank accounts by the public. Nearly every small trader keeps a bank account, and pays his debts by cheque. It is the most convenient form of paying a debt, and besides a customer may throw on his bank all the responsibility of getting him a proper receipt for his payment. He knows that if the bank pays the wrong man, or makes a mistake in the amount, it does not affect him in the least, as the banks have to make good any errors of this kind. A customer's paid cheques (if payable to order), when returned to him at the end of the month, operate as the best receipts he could have. In future, then, we may expect no great increase in bank circulation, although the volume of business does expand. Circulation will be important chiefly as the means of providing currency to supply extra demands such as moving the grain, etc., and also as till money in banks and branches. Its virtue for this latter purpose is very great in enabling a bank to maintain at no cost to itself from $20,000 to $50,000 in the treasuries of its different branches for use when required, in addition to the notes actually in circulation. If it

were not for this privilege many branches would not pay expenses, and would have to be closed, thus withdrawing banking facilities from many places. It is in performing this duty, and in doing the work of an elastic, readily convertible medium, that our circulation will be useful in the future. It is almost invariably found to be the case that as countries grow older and richer, the circulation of the banks becomes a small item when compared with their liabilities on deposits. Of course, as we have mentioned before, at certain times of the year the circulation expands to do a certain work, but when that is accomplished and the extra currency is not required, redemption and contraction are rapid. The banks discharge their liability to a certain extent on this extra note circulation by contracting fresh liability to their depositing customers. Before leaving the question of note issue, a few remarks on the "Bank Circulation Redemption Fund" will be in order. No one denies that it is an excellent scheme in making absolutely safe to the public the bank circulation, and will prevent any runs on banks on circulation account, unless by some cataclysm a great number of the banks in the country were discredited. Still it is not a fair measure, and it is probable that some of the large banks only went in for it because they felt that it was necessary to do something to guarantee the solvency of all bank notes, or otherwise the government would try to compel them to secure their issues by government bonds, as is the case in the United States, or in some other obnoxious manner. If we had none but large, strong banks, it would not be so unfair; as it is now it enables the weak bank to issue notes that are just as good to the public as those of the Bank of Montreal. It is to be hoped that the banks will devise some more equitable plan of guaranteeing the note circulation.

The deposits of the Canadian banks have shown a steady and rapid increase. Public deposits have increased from $30,000,000 in 1867 to $187,000,000 in 1895. Periods of depression cannot check the growth, and the only years in which there has been any material decline were 1875 and in 1884, when there were shrinkages of $9,000,000 and $4,000,000 respectively. There are many districts in Ontario and Quebec where the farmers' deposits steadily accumulate year after year.

Sometimes this is in the face of a heavy drain on the savings of a district made by farmers sending money to their sons in Western States and our North-West, to start them on farms of their own Bank managers situated in these places have noticed that when these drains cease, their deposits go up very rapidly. Canadians as a rule are a thrifty, hard-headed people, and their savings in the form of bank deposits will continue at a rapid rate. Taking the average annual increase at $8,000,000 (a low estimate), Canadian banks will hold at least $600,000,000 of public deposits by the middle of next century. Much progress is necessary before our banks reach anything like the figures of English banks. Following is a statement of capital and deposits of some of the principal banks in both countries:

| CANADA | | |
|---|---|---|
| Bank of Montreal | $12,000,000 | $34,000,000 |
| Canadian Bank of Commerce | 6,000,000 | 19,000,000 |
| Merchants Bank of Canada | 6,000,000 | 11,000,000 |
| Bank of British North America | 4,866,666 | 8,000,000 |
| Bank of British Columbia | 2,920,000 | 5,000,000 |
| Quebec Bank | 2,500,000 | 7,000,000 |
| Bank of Toronto | 2,000,000 | 9,000,000 |
| Molsons Bank | 2,000,000 | 9,000,000 |
| ENGLAND | | |
| London & Westminster Bank | £2,800,000 | £25,500,000 |
| National Provincial Bank | 3,000,000 | 42,700,000 |
| London & County Bank | 2,000,000 | 36,000,000 |
| Lloyd's Bank | 1,780,000 | 25,400,000 |
| London Joint Stock Bank | 1,800,000 | 16,000,000 |
| Union Bank of London | 1,705,000 | 15,500,000 |
| Parrs and Alliance Bank | 1,000,000 | 14,800,000 |

Canadian bank deposits, as well as Canadian bank shares, are nearly all held in Canada. Being an economical people, and exporting produce, etc., enough to pay the interest on foreign investments, and pay for their imports, and possessing a sound currency on a simple gold basis, with no element of confusion in it, the task of meeting the foreign payments is not a hard one for the banks to perform. This, we are told by one of our general managers, forms the heaviest demand made upon our banks. As the banks usually have a large balance at their credit in New York, they always have the option of purchasing sterling exchange in that market. The balance of trade between Canada and the United States is favorable to Canada, and pay-

ment of the excess being made in New York, tends to increase the balances of Canadian banks there. This tendency, combined with low rates for call loans, which is the usual form in which our banks invest their balances in the United States, serves to keep New York funds at a discount of from one-eighth to one thirty-second per cent. for a considerable part of the year.

It may be mentioned that the government is a serious competitor in the deposit-getting business. The total deposits in the Dominion government savings bank, and the post office savings bank, amount to $46,000,000. Although our government has been most considerate in listening to the views of bankers before putting through new legislation affecting banks, still some of the present laws and conditions are not based on sound principles. The post office savings bank, and the law requiring banks to hold 40 per cent. of their reserves in Dominion notes, owe their origin to the financial exigencies and embarrassments of certain administrations. The money received on deposit is not invested in consols which are already issued and held by the public, as is done with the deposits in the English post office savings banks, but used for ordinary government expenditure, which would in the usual course be borrowed in England at a lesser rate, thus costing the country less and throwing more money into the hands of the banks to facilitate trade. No reserve is held against this, and if any considerable proportion of money were withdrawn, funds would have to be borrowed abroad to meet the demand. On the other hand, it must be admitted that banks are well rid of much of the deposits which the government holds. A large percentage of the depositors in government banks are women, who are easily alarmed, and their timidity would be a source of danger to a bank. The customers of the Birkbeck Bank in London, which sustained such a severe run in 1893, were largely women. The panic started in a most unreasonable manner. People perceived that some building societies were in trouble; the Birkbeck Bank was known to be connected with a building society, therefore the Birkbeck Bank was not safe. One and a half million pounds out of a total of a little over five and a half millions, were withdrawn between the 2nd and 16th September, and of this one

million pounds was demanded in three days. This will show bankers that although education has advanced, they are not free from runs even in this enlightened age.

It will be easily understood that timidity has much to do with the amount of money deposited in government banks, when we consider that the same rate of interest is paid by the government and the banks, yet it is much more inconvenient to deposit with and draw money from the government than to deal with the chartered banks.

The defects of the law regarding the proportion of Dominion notes to be held in a bank's reserve have been pointed out frequently. It militates against sound currency because it forces banks to meet their exchanges with a medium not fully covered by gold. It is rarely the case that more than 50 per cent. of the Dominion note issue is covered by specie. Part of the balance is covered by Dominion government bonds guaranteed by the Imperial government, and the rest simply by unguaranteed unissued bonds of the Canadian government. It is to be hoped that this blot on our currency system will be removed before very long. With reference to the small note circulation (that under $5), perhaps the banks are well out of it. The amount in circulation does not exceed $8,000,000, and it is questionable if this, divided amongst our banks, would pay for the extra risk and cost involved.

Turning to the chief outlets for the deposits of our banks, we find that loans and discounts to the public have increased from $53,000,000 in 1868, to $202,000,000 in 1895. However, there does not seem to be as much reason for hoping that this item will expand as the deposits will in the future. The causes which are at work in Great Britain are to a much less extent in operation here, although the accumulation of savings in an old wealthy country like Britain is far in excess of what is saved here; still our bankers have complained at sundry times of the amounts of money which they have been compelled to place out at low rates, because there was no demand for it by the regular discounting customers. The possibility of more British money than usual finding its way to Canada in the future is not to be overlooked. The British investor has received some nasty cracks in nearly every part of the world of

late years, and is just now sitting down on his money and turning a deaf ear to the foreign and colonial company promoter. Australia has given him a rude shock, and he does not like the way they have treated him in converting his deposits into bank stock. The United States has swindled him dreadfully in some of his railroad deals. South America, Spain, Portugal and Russia are not looked upon as tempting places for investment. Although Canada has not the resources of the United States, she has not sinned very grievously in financial matters; and we hope to have our turn some day. Just now South Africa seems to be the only field which British capitalists will consider, and mining shares of companies operating there have been tremendously inflated, and future profits have been anticipated to such an extent that a collapse is inevitable. So that when John Bull gets tired of South Africa, perhaps some of his money will find its way to Canada. Already we hear of a boom in British Columbia mines. One syndicate proposes to sink $2,500,000 in 1896, and other indications point to great activity in the development of the gold mines in the province.

A form of competition which has not yet developed in Canada as much as it has in the United States, is that of the express companies in transferring money. Their rates are cheaper than banks charge their best customers on small sums, and for sums over $100 a fraction over ⅛ of one per cent. to transfer money almost anywhere. They are very aggressive, and in some of the cities supply the wholesale houses with large quantities of requisitions for their orders, with instructions therein, showing where to go to purchase them, and giving rates. The wholesaler is requested to forward these with his statements of accounts to country merchants, and he does so because he gains by the deal also. If the country dealer sent him a cheque on his local bank, the wholesaler would be charged a commission on it by his bank, but if an express money order is sent it goes at par at all the banks. The banks in many places play into the hands of the express companies by taking these orders without charge and forwarding them to Montreal or Toronto, thus enabling their rivals to carry on the business with reserves or funds only at one or two places. If the usual

commission was charged on these items, and people were obliged to cash them all at the offices of the companies, they would be compelled to keep funds at many different places, and perhaps would not find the business so profitable. It seems also that steps could be taken to frame some law to prevent the practice. It is a form of receiving deposits at one place and paying them back at another, and thus is one of the privileges that should belong to banking.

Coming now to the experience of our banks in profit-making, we find that the larger capitalized banks have great difficulty in maintaining their profits, while those with capitals smaller than $3,000,000 tend to increase. The inference is that the capital of the former is too large. They admit this, and know that they could earn quite as much money on smaller capitals. There are, however, difficulties in the way of reducing; apart from the risk of having a certain amount of discredit cast upon them, there is the necessity of special legislation, or the consent of the Treasury Board of the government, before capital can be lessened, as the creditors of the bank lose the security of the double liability of the shareholders on the amount of the reduction. Then, on the other hand, there is the hope that as the volume of the business of the country increases, they will get their share of the increase, and as there is a decided tendency towards a reduction in the number of banks in operation in Canada, the business of the large banks will gradually increase to such a point that their present capitals will not be unwieldy. While the smaller banks are calling up fresh capital, the larger ones can stand an enormous increase in the volume of their business without changing their capital at all.

The tendency of the banking capital of the country is to a steady increase. In the English *Banker's Magazine* we find it laid down as a principle that to keep a business from dwindling it is necessary that there should be an annual increase in capitals and reserve funds combined of at least one per cent. This is more than maintained in Canada, as will be seen by the following statement, compiled from Garland's "Banks and Banking."

| Year | Capitals and Reserve Funds | Increase | Decrease |
|---|---|---|---|
| 1883............ | $78,909,451 | | |
| 1884............ | 79,944,649 | $1,035,198 | |
| 1885............ | 79,570,045 | | $ 374,604 |
| 1886............ | 79,160,511 | | 409,534 |
| 1887............ | 78,145,906 | | 1,014,605 |
| 1888............ | 79,284,024 | 1,138,118 | |
| 1889............ | 80,661,242 | 1,377,218 | |
| 1890............ | 81,997,604 | 1,336,362 | |
| 1891............ | 84,966,132 | 2,968,528 | |
| 1892............ | 87,025,130 | 2,058,998 | |
| 1893............ | 88,559,158 | 1,534,028 | |
| 1894............ | 89,153,745 | 594,587 | |
| 1895............ | 89,862,190 | 708,445 | |

Events which have already transpired in 1896 do not point to the addition of any considerable amount this year. Between 1880 and 1886 five banks came into existence, and between 1883 and 1896 eight have closed their doors. As the minimum of capital paid-up and subscribed was raised in 1890 to $250,000 and $500,000 respectively, and as a general impression exists that there are too many banks now, and that any increase in the banking requirements of the country can be met by increasing the capital of the existing banks, there is reason to believe that few, if any, new banks will be started in Canada for some time. Again, Dr. Breckenridge and others have pointed out that there are not wanting signs that the present number of banks doing business in the Dominion will be less before many years. It is now ten years since a new bank has entered the field. Scotland has been instanced as the country where banking is most similar to our own system, and the number of banks there has been reduced from 30 to 11 in 75 years. Experienced observers consider that Canada is passing through a critical period just now (spring of 1896). There has been a long continued depression, and profits in all lines of trade have been nominal only. For the quarter ending March, 1896, the failures in Canada are given as 781, against 581 for the corresponding period of last year. It is claimed by some that there was much bolstering up during the crisis in the United States in 1893, and banks carried doubtful accounts over, rather than let them go at such a critical time. The weeding out process has been going on since. The striking diminution in the amounts added to banking capital in 1894 and 1895 seems to

bear out this contention. The general managers in their annual addresses tell us that the great factor in diminishing profits is losses, and if there were no losses, banks in Canada might pay dividends of from 15 per cent. to 20 per cent., like those in England. The suspension of the Banque du Peuple has caused a lot of small failures in Montreal, which have aggravated the situation considerably. Our banks are now, however, better equipped to cope with bad times than before, because their available resources are increased because of the better understanding which exists between them. This has been brought about by the instrumentality of the Canadian Bankers' Association. Formed only five years ago, the Association has already done invaluable work in protecting banking from mischievous legislation, and in endeavoring to minimize competition between banks. At every annual meeting, mention is made of some detrimental piece of law making that has been stopped by the Association. Negotiations have been in progress for some time looking to a reduction in the risk of moving bank reserves, and in effecting clearances, by having special legal tender notes issued, which will be negotiable only between the banks and the different Receivers-General. Much good has also been effected by the publication of the JOURNAL and the institution of prize essay competitions, in increasing the general knowledge of banking among bank clerks.

One of the most important of its experiments and one that will be watched most closely in its results, is an arrangement which is now receiving its final revision. This is a schedule of exchange rates. There have been many complaints at bank meetings of the way the insane competition in exchange rates had lessened profits, and this is the first concerted attempt to remedy the evil. Before this individual banks with branches in the same place or district have occasionally entered into arrangements *re* interest rates, etc., but it has never worked well. The difficulty has been that some banks violated the arrangement, and this has caused much distrust and prevented agreements being formed on a large scale. One bank will say, "What is the use of one bank entering into a contract like this, when the bank that abides loyally by its agreement is going to lose business to another less scrupulous competitor?" Hitherto

most of the banks have been content to sit down and do their best to hold their business together, and wait for the evil to remedy itself. Now, however, that so general a contract is to be entered into, it is to be hoped that it will be successful. It is true that means of communication have improved so as to lessen the expense of transferring funds and goods of all kinds. Still, as the rates proposed are fair and reasonable, and not exorbitant, there is no reason why it should not receive a fair trial. In time we hope to see our Association as powerful as the association of the banks in Scotland, which regularly adjusts the minimum discount and maximum interest rates.

To conclude, we will now give the opinion of the writer as to the conditions of banking and commerce that will exist well on in the next century, which he believes would most naturally result from the working out of the influences and its tendencies discussed in this paper.

We have in Great Britain a few large banks performing all the business of the country, and carrying on the enormous trade with China and the East, which is certain to develop in the next century. Their deposits continue to increase, and we see them holders of immense amounts of cash and investment stocks, a logical outcome of the cash system in retail trade. Successive industrial revolutions, such as development of electricity, and new inventions of all kinds, will help supply outlets for the accumulation of deposits. The banks devote more attention to the transfer and remittance of money than they have done in the past.

We see the decimal system of coinage and the metrical system of weights and measures in general use all over the civilized world.

In the United States we see much trouble and distress caused by the continued out-flow of gold acting on their muddled currency and banking systems, periodic returns of crises and currency famines. Gradually they are forced to make a change, and Canada being nearest and having stood the test of going through these troublous times without disturbance, notwithstanding her intimate trade relations with the United States, efforts will be made to model their system more on that of our own. The restriction to one place of business will be with-

drawn from their banks, and they will be permitted to issue notes up to 50 or 75 per cent. of their paid-up capital on their general credit, upon providing satisfactory guarantees for the protection of the public. Straightway amalgamations, purchases, and assumptions of control over country banks commence on the part of the large banks in New York, Chicago and other cities. The Treasury goes out of the banking business, and upon the banks devolves the duty of meeting the foreign exchanges of the country. Silver certificates are withdrawn and the currency placed on a gold basis.

In Canada we have the 38 banks now doing business reduced considerably in number. We see the country a great exporter of live stock, produce, butter and cheese, minerals and fish, supplying the wants of more crowded manufacturing nations. Such manufactures as can exist without protection will still be going. The banks will find ample employment for their funds in gathering and transporting produce to different parts of the world. Pork packing and other factories for preparation of dead meats, and canning factories for fruits and vegetables, will increase in number. The grain trade is in the hands of strong firms such as the Ogilvie Milling Co. and the Lake of the Woods Milling Co., and large ranch companies are in charge of stock raising operations. The more universal use of the cash system and growth of departmental stores will weed out the small, weak traders, and will lessen credit and also bank losses. As the banking business of the country is in fewer and stronger hands, it may be hoped that the better understanding and perfect control over the trade of the country exercised by our banks, largely through the instrumentality of the Bankers' Association, will enable them to prevent inflations of trade and also many of these constantly recurring periods of depression.

There will be preparatory schools where intending candidates for admission to banks may receive three or four months' training in the methods of book-keeping in use in the banks (we assume that banks have adopted a general system of book-keeping), and the knowledge of putting through entries, and other routine work, that bank juniors have to perform. These schools may not be under the control of the banks, but officials of the banks will set examinations, and supervise the arrange-

ments of the exercises. It will not be necessary then to consider a junior clerk upon entering almost useless until he has been taught how to do things, which often takes a year under the present system.

The banks all have generous pension funds for their officers, and any employee who has served a bank faithfully all his working days, will be assured of a handsome allowance for the rest of his life.

These conclusions are based on the supposition that there will be no great political disturbances in the world. Of course a great war in which Great Britain was badly crippled might change the aspect of affairs.

Perhaps much of the foregoing may appear Utopian, but no one can deny that events are tending towards many of the results arrived at, and evils have a tendency to right themselves in time. Everything seems to point to a better and happier state of affairs. Witness the efforts of the London County Council to stamp out the slums of Shoreditch and Bethnal Green, and build clean, well-ventilated tenement houses, and wide, well-lighted streets, where these sores have been festering in the heart of London for such a long time.

H. M. P. Eckardt

## PROCEEDINGS OF THE FIFTH ANNUAL MEETING OF THE ASSOCIATION

THE fifth annual meeting of the Association was held in the Tower Room of the Parliament buildings in the city of Ottawa, on Wednesday and Thursday, the 9th and 10th days of September, 1896.

The chair was taken by the President, Mr. Thos. Fyshe.

The following members were represented:

| BANK | REPRESENTED BY |
|---|---|
| The Bank of New Brunswick | Hon. Senator Lewin |
| The Bank of Nova Scotia | Thos. Fyshe |
| The Bank of Toronto | D. Coulson |
| The Banque d'Hochelaga | M. J. A. Prendergast |
| The Bank of Hamilton | J. Turnbull |
| The Bank of Ottawa | Geo. Burn |
| The Bank of British North America | D. Robertson (proxy) |
| The Banque Ville Marie | Wm. Weir |
| The Banque Jacques Cartier | T. Bienvenu |
| The Canadian Bank of Commerce | B. E. Walker |
| The Eastern Townships Bank | Wm. Farwell |
| The Imperial Bank of Canada | D. R. Wilkie |
| The Merchants Bank of Canada | Geo. Hague |
| The Molsons Bank | A. B. Brodrick (proxy) |
| The Merchants Bank of Halifax | W. B. Torrance (proxy) |
| The Peoples' Bank of Halifax | D. R. Clarke (proxy) |
| The Union Bank of Canada | E. E. Webb |

The following Associates in addition to those representing members were present: Messrs. B. Austin, Coaticook; W. J. Anderson, Ottawa; M. A. Anderson, Ottawa; W. Wallace Bruce, Ottawa; A. M. Crombie, Montreal; D. M. Finnie, Ottawa; H. Frost, Montreal; Robt. Gill, Ottawa; A. L. Hamilton, Dunnville; F. G. Jemmett, Parkhill; F. Jemmett, Prescott; H. Jemmett, Thorold; J. Laframboise, St. Hyacinthe; W. L. Marler, Ottawa; M. Morris, Seaforth; H. P.

MacMahon, Aylmer; E. L. Pease, Montreal; Frank W. Strathy, Ottawa; A. M. Smith, Kincardine; E. M. Saunders, Chatham, Ont.; A. Simpson, Ottawa; A. A. Taillon, Ottawa; A. B. Van Felson, Quebec; C. Malcolm Wiggins, Ottawa; E. P. Winslow, Almonte.

The Counsel of the Association, Mr. Z. A. Lash, Q.C., Toronto, was also present.

The meeting was called to order at noon.

After the Secretary, Mr. W. W. L. Chipman, had read the notice calling the meeting, the President declared the meeting open for business.

Mr. Geo Burn, general manager of the Bank of Ottawa, and chairman of the Ottawa sub-section of the Association, welcomed the visiting bankers in the following terms:

It gives me very much pleasure, on behalf of the banking fraternity in Ottawa, to offer you, Mr. President and gentlemen, a very hearty and cordial welcome to our city. In doing so, I express the sentiments not only of the banking fraternity in Ottawa, but of our citizens generally, who appreciate very highly the honor done their city by this visit. Though we must not lose sight of the chief object of our meeting, every opportunity will be offered the visiting members of this Association to enjoy whatever attractions and matters of interest our city and its neighborhood have to offer, and among these must not be forgotten the sitting of Parliament, where you may have the opportunity of hearing some of the best speakers in the country discuss public affairs. I have much pleasure in announcing that the following have opened their doors to the visiting bankers: The Rideau Club, the Ottawa Athletic Association, the Rowing Club, the Canoe Club, the Golf Club, the Aylmer Boating Club and the E. B. Eddy Company. The honorable Mr. Speaker of the House of Commons has also put at our disposal cards of admission to the galleries of the House. We have also been offered an excursion down the river by Mr. W. C. Edwards, M.P. for Russell County, on his steam yacht, which will carry thirty or forty people. The Ottawa Electric Street Railway and the Hull Electric Railway have offered to take parties of visitors over their systems on special cars; and all those interested in machinery are invited to visit the works of Mr. Eddy, at Hull, which will be found well worth a visit. If time permits, other excursions can be arranged for, and I will simply close by repeating our welcome to Ottawa of this Association.

THE PRESIDENT:—I have great pleasure in expressing our thanks for the cordial manner in which Mr. Burn, on behalf of the Ottawa bankers' committee, has welcomed us to Ottawa, and for the trouble that Committee have evidently taken to make our visit pleasant as well as profitable. To those of us who live down by the sea, it is certainly refreshing to visit localities where the atmosphere is somewhat more rarified than it is with us, and where it is consequently much easier to keep our spirits up without artificial stimulant. Your city of Ottawa, Mr. Burn and gentlemen, is not only one of the largest in the Dominion, but certainly one of the handsomest. No one visiting it can fail to be struck with the dignity and artistic beauty of the Parliament buildings, of which the eye never tires, and which are set in a scenery that cannot be surpassed, with the majestic river flowing at their feet, and the Laurentian Mountains in the distance completing the picture. I must say also that this city gains by the associations connected with it, because we have always had more than fair success in all our dealings, especially those of a professional nature, with the legislators and others with whom we have come in contact in this the capital of the Dominion. I look forward with great hope to our being equally successful in the future, and I am sure that in this particular meeting we shall have all the pleasure and success that we can expect. I again thank you, Mr. Burn, and the members of the Ottawa committee, on behalf of the Association, for the very kind welcome you have given us.

At the suggestion of the President, the minutes of the last annual meeting were taken as read, and confirmed.

### REPORT OF THE EXECUTIVE COUNCIL

Mr. Chipman, the Secretary, read the annual report of the Executive Council, as follows:—

*To the Members and Associates:*

The Executive Council beg to present a report of the proceedings of the year now closed.

#### SPECIAL LEGAL TENDER NOTES

It formed part of the business of the last annual meeting to refer back to the out-going Council for further consideration the matter of the special legal tender notes intended for the exclusive use of the banks. In view of the report of the committee appointed to confer with the government, which will be communicated to this meeting, it is only necessary to refer to the circular which was issued to the banks under date of 22nd August last, announcing that the special legal tender notes were then ready in the hands of the Deputy Minister of Finance for delivery to the banks; thus completing one of the reforms of the Dominion Note Act which has been under consideration of successive Executive Councils, more or less, ever since the organization of this society. The increased security thus afforded the banks in the matter of the safe keeping of reserves, and payment of clearing house indebtednesses, must be obvious to all concerned.

MINOR PROFITS IN BANKING

Under your resolution passed at Quebec last year, the incoming Council were desired to organize a committee of banks to consider this question of minor profits, looking to reforms of practice. They named the banks doing business in Montreal, together with the Eastern Townships Bank, as such committee. This committee met, and adopted a schedule of rates affecting transactions between banks themselves, and between banks and their customers, which came before your Council for consideration in March last, and then underwent considerable amendment. The final adoption of a schedule was postponed until further consideration could be had by a committee of banks in Ontario, and to this end the Council named:

Six banks with head offices in Toronto,
One bank " " office " Hamilton,
" " " " " " Ottawa,

to whom the subject was referred, and in whose hands it still rests, and who will report progress at this meeting.

It should still be possible to disentangle this subject from its surrounding difficulties, and to devise some plan whereby shareholders' capital entrusted to the banks for employment, shall not be called upon to perform so many unremunerative duties as it now does in all the provinces.

LEGISLATION

During the closing session of the last Parliament the Council had their attention called to a certain Bill then before the House, having as one of its provisions, that whenever interest is payable by the agreement of parties, or by law, and no rate is fixed by such agreement or law, the rate of interest shall be four per cent. per annum—in other words that the statutory rate of interest should be reduced from six per cent., at which it had stood for a long series of years.

Your Council felt that this Bill, if allowed to become law, would be greatly detrimental to the public interest, and be a direct inducement to borrowers to make default in the payment of their obligations. They took steps along with the Bankers' Sections of the Boards of Trade at Toronto and Montreal, and the sub-sections of the Association at Ottawa and Winnipeg, to influence public opinion against the Bill. With their help, and the able support of the Counsel for the Association, Mr. Lash, and that of a delegation of bankers from Montreal, Toronto and Ottawa, the Bill was defeated in Committee.

OTHER LEGISLATION

Bills were presented and read a first time in the House relating to and amending,

The Winding-up Act,
The Bank Act,

and introducing an insolvency law. These not having progressed to a second reading, your Council were not called upon to take a course of action respecting them, but had and still has them carefully in view, nevertheless.

CO-OPERATION

The advantage of united action through the Association was fully demonstrated in dealing with the important legislation before the House at Ottawa, to which allusion has been made. It was then apparent that affiliated or non-affiliated Sections could only act to the best advantage by surrendering their individuality for the moment and making the Association and its Executive Council the sole channel through which to exert our influence with the Legislature. This surrender need in no way diminish the individual

support which members of the banking profession can and should give in furthering any object taken in hand by the Council, but it is clear that separate or isolated action of banking sections in any centre, while involving additional work, is more calculated to weaken than to strengthen our influence.

### SUB-SECTIONS AND AFFILIATION

Amongst the earliest resolutions upon our minute book is the following:

"That the Association strongly recommend that sub-sections be formed in all places where there are three or more chartered banks."

Your Council desire that the Associates should not overlook the usefulness of these sub-sections, and that in their formation steps be taken to have them embrace not only ordinary formal business, but afford scope for lectures, study and intercourse with brother officials. There can be nothing arising in these sub-sections inimical to individual banking interests as no matter what scope the discussions on any subject may have, no action could follow from them making any radical change of practice without the consent of the bank's head offices.

In the matter of affiliation it is also on our books "that sub-sections be requested to affiliate themselves with the Board of Trade of their respective cities and towns." This pre-supposes that all banking organizations throughout the Dominion shall first regard this Association as the parent one, and your Council trust that no organizations will be formed that are not first of all in this proper and natural relationship.

It is satisfactory to note that the influence of bankers on their several Boards of Trade has been effective, and their work appreciated by the mercantile community at large, and has dispelled all fear that the result of this form of alliance of banking and trade interests would be otherwise than beneficial.

### REPORTS OF SUB-SECTIONS

The reports of the sub-sections at Winnipeg and Ottawa will be submitted and read separately.

### THE JOURNAL

The Council have to express their congratulations to the Editing Committee upon the continued excellence of the publication of this quarterly volume and its ever increasing value, and they bespeak your careful attention to the report which will be presented to you for the past year. The chairman of the Committee, Mr. Plummer, has had as his associates Messrs. Henderson and Hay, and as corresponding members, Messrs. Burn, Stanger and Knight.

### PRIZE ESSAY COMPETITION

For some reason, not yet ascertained, there has been a considerable falling off in the number of competitors in the prize essay competition, which closed on the 15th May. The special committee appointed to select subjects, has also acted in the matter of making awards, and their report containing the names of the prize winners will be made known to you in due course.

### LEGAL ADVISER

Following up the suggestion thrown out at the last annual meeting, the Council had under careful consideration the relationship of Mr. Lash towards the Association, both as solicitor, and as a hitherto generous adviser in connection with the legal notes appearing in the JOURNAL. It was deemed advisable to decide upon an annual fee which would cover an examination of the various Bills, etc., public and private, introduced into the Dominion parliament and eight provincial legislatures, as well as interviews and correspondence relative thereto, with the Executive and others—advising

and assisting the Editing Committee respecting the legal notes for the JOURNAL, and for advice and opinions upon all matters requiring attention of Council. An arrangement in every way satisfactory to Mr. Lash was concluded with that gentleman in March last, to be continued from year to year.

Regarding the President's circular of 4th May last, it may be of interest to learn that twenty-two banks became sharers in the arrangement to retain the services of the several members of the firm of Messrs. Blake, Lash & Cassels, as therein referred to.

UNFINISHED BUSINESS

In addition to the several matters recited on page 21 of vol. III of the JOURNAL, as remaining to be discharged by our successors in office, the minute book discloses the following:—

5. Resolution of Council, 26th March, 1896,—to obtain at the first possible moment an amendment of Chap. 127 of the Revised Statutes, whereby every judgment debt in the province of Manitoba, shall bear interest at six per cent. per annum, until satisfied.
6. Motion, page 54 of vol III, recommending the naming of a sub-committee to interview the Dominion government with a view to obtain a reduction in the rate of interest paid on government and post office savings bank deposits to three per cent.

SPECIAL RESOLUTIONS

1. A question involving grave issues to banking generally, arising under section 98 of the Bank Act, came before your Council, and at the instance of the bank specially concerned therein, they forwarded a strong protest to the Attorney-General and Minister of Finance against any use of the names of the Attorney-General, or Minister of Finance, by any private person, in any proceedings under the section named before the bank interested in such proceedings had had an opportunity of being heard. The protest was duly acknowledged by the Minister of Justice.

2. It will be remembered that criminal action was entered by one of the banks in the province of Qnebec against the members of a trading firm who obtained advances by means of a false statement of their affairs. They escaped conviction on a technicality, and your Council, upon representations made by the prosecuting bank, urged upon the Attorney-General of Quebec the institution of a new trial. The Attorney-General, then in office, in acknowledging the resolution of Council, said: "I fully appreciate the fact that a principle is involved in this matter of great interest to the banking and business community in general," and "I do not intend to abandon proceedings against the accused."

Your Council therefore express the hope that the ends of justice may yet be satisfied, and dishonest borrowers deterred from approaching the banks.

MEMBERSHIP

At the close of the financial year, 30th June, we had on the books
28 Members
941 Associates
Your Council find, at the time of writing this report, that
693 Associates have since renewed their subscriptions,
124 new Associates have joined,
248 old Associates have yet to be heard from.
All respectfuly submitted for the Executive Council.

THOMAS FYSHE,
President.

On motion of the President, seconded by Mr. Farwell, the report of the Executive Council was adopted.

SPECIAL LEGAL TENDER NOTES

Mr. B. E. Walker then presented the following report of the committee on the issue of the special legal tender notes by the Dominion Government :

The Committee appointed at Quebec, 12th September, 1895, and authorized to complete arrangements with the Dominion Government for the issue of special forms of legal tender notes for use only by banks, beg to report as follows :—

All difficulty in the way of the issue of such notes having been removed, the forms have been engraved and are now obtainable by banks.

An assessment was made in May, 1895, to cover the cost of producing these notes, to which twenty-nine banks in Canada contributed the sum of $2,775. Four banks refused to pay assessments amounting in the aggregate to $70, while five banks which are not members of the Association or of any Clearing House, and whose aggregate capital is less than $900,000, were not assessed.

An account of the expenditure is attached, showing a surplus of $125, which has been paid to the Secretary-Treasurer and awaits the disposition of the Association.

| | | |
|---|---|---|
| Subscriptions by banks...................... | | $2,775 |
| Cost of engraving plates ........... | $2,550 | |
| Legal opinion..................... | 100 | |
| Balance to be paid to Treasurer C.B.A. | 125 | |
| | $2,775 | $2,775 |

B. E. WALKER
For the Committee

Mr. Walker moved that the money left over from the fund to provide for the cost of these legal tender notes, be paid into the regular and ordinary funds of the Association.

This was agreed to.

The President moved that the report of the committee be adopted. Motion agreed to.

FINANCIAL STATEMENT

The Secretary read the financial statements of the Association as here presented :

GENERAL STATEMENT

| *Revenue* | | | *Cash* | | |
|---|---|---|---|---|---|
| Balance brought forward ...... | | $3,365 93 | In bank ...... | $359 58 | |
| Members' subscriptions ....$2,740 | | | Due by sundry banks...... | 1,000 00 | |
| Associates' subscriptions .... | 941 | | | | $1,359 58 |
| | | 3,681 00 | Charges........ | | 4,143 86 |
| Bank interest .. | | 59 57 | Journal expenditure...... | | 1,378 36 |
| | | | Office furnit're | | 224 70 |
| | | $7,106 50 | | | $7,106 50 |

GROSS REVENUE ACCOUNT

| | | | |
|---|---|---|---|
| June 30th, 1895 | | June 30th, 1896 | |
| Balance brought forward.. | $3,365 93 | Charges .................. | $4,143 86 |
| June 30th, 1896 | | Journal expenditure ...... | 1,378 36 |
| Bank interest .......... | 59 57 | Balance carried forward .. | 1,584 28 |
| Revenue account— | | | |
| Members' and Associates' subscriptions .......... | 3,681 00 | | |
| | $7,106 50 | | $7,106 50 |

W. W. L. CHIPMAN,
*Secretary-Treasurer.*

The question of how the deficiency between the annual revenue and expenditure of the Association should be met, was taken up and after some discussion it was moved by Mr. Walker

That the Executive Council take into consideration, during the ensuing year, the expediency of increasing the fees of Members fifty per cent., or as an alternative, making special assessments annually for all legal charges, made directly by the Association.

MR. FARWELL—I second that motion. I do not think there is a bank which is not interested in the continuance of this Association. It is true that for a few years the Association may not have very important work to do, although there is always some work from year to year, but the renewals of bank charters are coming on one of these days, and certainly the Association ought then to be in full force.

Motion agreed to.

The President moved, seconded by Mr. D. Robertson, that the report of the Secretary for the year ending 30th June, 1896, now submitted, be received and referred to the auditors for examination. Carried.

Messrs. Marler and Taillon were on motion appointed scrutineers for this meeting.

The Association adjourned until three o'clock in the afternoon.

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SECOND SESSION

WEDNESDAY, Sept. 9th.

The afternoon session opened at 3.30 o'clock, when the President delivered his address as follows:

PRESIDENT'S ADDRESS

The past year in Canada has been one of much anxiety to bankers, as well as to business men generally; and, with the exception perhaps of Manitoba, it has not been a good one for the farmers. Prices of all commodities have ruled abnormally low, and profits have probably never been smaller.

Bank reports have reflected this state of things, as they have been almost uniformly unfavorable; and the failure barometer speaks to the same effect. The country as a whole has not had a prosperous year, although some parts of it have suffered much worse than others, while some have done fairly well.

It is easy enough to point out some of the special causes producing these results, but it is not so easy to give an adequate account of the whole. Indifferent or poor crops in Ontario; the shrinkage of real estate values in Toronto; the collapse of fish prices in the maritime provinces, may be mentioned as special causes of disturbance; but the general low range of prices, coupled with a keenness of competition such as has probably never been experienced hitherto, and the consequent extreme difficulty in making profits and avoiding losses, would seem to point to more general causes, affecting us along with the world at large.

The most conspicuous feature of the commercial and industrial world at the present time is undoubtedly the unprecedentedly low level of general prices, with what are supposed to be its concomitant results--small profits, increasing failures, lethargic enterprise and depressed trade.

The agricultural interest is supposed to have suffered with especial severity—not perhaps without good reason, for in Britain the farmers have been long burdened with excessive rents (established before the prairie lands of the west and the pampas of South America began growing wheat for the English market), and which are being only slowly and painfully reduced through the gradual ruin of a whole generation of tenant farmers.

On this continent also the farmers may claim to have suffered with exceptional severity, for the crushing burden of

"Protection," so called, has had to be carried in great part by them. And both on this continent and in Europe the agitation on behalf of bimetallism has come largely from the farmers and land-owning class, actively aided of course by the owners of silver mines and their following. This agitation has, in the United States, now reached the acute stage, and is the burning question of the day. It has developed into a passionate demand for the free coinage of silver at the ratio of 16 to 1, or nearly double its intrinsic value,—the silver dollar to be a legal tender for all debts whatsoever.

The movement has been fathered by one of the great political party conventions, and endorsed by the Populists, who are said to control a million votes; and the keenest anxiety as to the issue is now felt by all serious-minded men throughout the country, and wherever there is an interest in American business or American investments. It has turned what would otherwise have been a promising industrial outlook into one of the most forbidding—threatening universal confusion, panic and temporary ruin to all the substantial interests of the country, and the wholesale robbery of labor.

Early in January of the present year, even after the deplorable and disastrous message of President Cleveland regarding the Venezuelan dispute, a well known commercial and financial authority stated that every condition throughout the country favored progress except the currency embarrassment. Railroad earnings were good; the production of steel and iron was unprecedentedly large; the grain harvests had been excellent; bank clearings were increasing, and great advances in wages had taken place during 1895, indicating general activity in trade. Again on the 15th February the same authority wrote as follows: "In one week congress could, if it would, put our finances on a sound money basis, taking government out of the currency business, and establishing a bank note system responsive to trade requirements, and thereby introducing a period of phenomenal prosperity." But congress was not so minded. The senate, on the contrary, undertook to pass the Butler Bill, taking away from the President the power to issue bonds in order to replenish the gold reserve when necessary; and from that time to the present things have gone from bad to worse,

until the American people are now confronted with an issue which seems to involve the stability of their institutions and the progress of their civilization. To quote from the New York *Journal of Commerce:* "Sometime in the future the United States in 1896 will be a deep and baffling study for philosophical historians."

The sole basis apparently for all this extraordinary agitation, is the fact already alluded to, of long continued and still persistent low prices—more particularly of agricultural products and silver. Yet it can easily be shown that in every case the low prices have been produced by the most natural causes, which may be described generally as economies in production and transport. They are not therefore an evil at all, but on the contrary a very great and substantial good. They are simply the proof of the material progress the world is making, since all material progress is synonymous with reduced cost of labor in production, and therefore with reduced price.

The clamor on that score is certainly very ill-directed, for, however disagreeable it may be to the farmer and manufacturer to have to put up with prices such as have rarely if ever been reached before, and the trader with profits that are almost invisible, we must yet remember that the great bulk of the population have nothing to sell but their own labor and skill; and for them low prices are an unmixed blessing. This is the true answer to the bimetallist, the free silverite and the protectionist, who all belong to the same class—people who desire to reap where they have not sown, and to rob by the aid of the legislature. The moral of it all is that low prices and low profits have come to stay. To attempt to raise them by juggling with the currency, with protective tariffs, or any possible human device, simply means to set back the hands of progress on the dial of time.

These considerations have a very direct bearing on our own business of banking. We are feeling as much as other middlemen the fierce competition and vanishing profits which indicate that there are too many of us, and that the body politic is trying to throw some of us out—to improve us out of existence.

The population and business of the country are both growing very slowly, so much so as to suggest the gravest

doubts whether we have been using the best means to make the most of our resources. In a large part of the country the population has been practically stationary for at least one decade; and its growth in other parts has been most meagre. There has been a general sagging of real estate values, not only in the country districts, but in the towns, while at the same time our debt and taxation have grown apace.

Our national debt alone increased between 1880 and 1890 from $35.25 per head to $47.51, while that of the United States fell in the same time from $38.33 per head to $14.24, so that ours is now more than three times as much as theirs. Their whole national, state, county, municipal and school debt amounted in 1890 to only $32.37 per head of the population, which was one-third less than our national debt alone, leaving out all our provincial, municipal and school debts. These figures are very significant; and taken in connection with a corresponding growth in our public expenditures, and the burden of a high protective tariff, they must have caused a considerable increase in the cost of living to the people; or, what is the same thing, lessened that reduction in the cost of living which has been brought about by the inventions and discoveries of the time.

Under these conditions the growth of legitimate business cannot but be comparatively small, and that of legitimate banking must be in strict correspondence with it. Banks of themselves cannot create business. When they try to do so they only throw away their money and do the country no good.

There are undoubtedly far too many banks in the country, and the competition between them has made credit so cheap that the pushing, ambitious and impecunious trader has largely taken the place of the cautious, conservative one, who had something to lose, with the result that we have probably more failures than any other civilized country, and an increasing proportion of them. While the number of traders in Canada in proportion to the population is about the same as in the United States, the proportion of failures to the total number is very much larger in Canada. The figures are as follows:—

| | 1890 | 1891 | 1892 | 1893 | 1894 | 1895 |
|---|---|---|---|---|---|---|
| United States........ | 1.08% | 1.21% | .97% | 1.46% | 1.22% | 1.23% |
| Canada ............ | 2.20 | 2.44 | 2.22 | 2.32 | 2.36 | 2.37 |

Then, as illustrating the point I have already made that the cheapness of credit with us has forced into existence an impecunious and therefore feeble class of business men, take the following figures prepared by *Bradstreets* showing the respective percentages of failures arising from the different classified causes. Under the heading of Lack of Capital, the percentage of failures was ;—

| | 1890 | 1891 | 1892 | 1893 | 1894 | 1895 |
|---|---|---|---|---|---|---|
| United States........ | 37.9% | 39.2% | 32.5% | 33.5% | 34.6% | 33.2% |
| Canada.............. | 55.8 | 66.6 | 65.1 | 69.4 | 68.5 | 71.3 |

Here again the ratio in Canada, although more than twice as large as that of the United States, is still an increasing one—the increase being steady, from 55.8 in 1890 to 71% in 1895, while the United States ratio has fallen from 38% to 33. Our difficulties are certainly not growing less, and our greatest difficulty is to cope with these increasing failures and losses, largely produced by our own excessive and unwise credits.

If the losses of our banks were published the country would be not a little surprised—perhaps shocked—at their magnitude; and we should have little reason to plume ourselves on our record. We all feel this, yet we seem to drift along in the same old way, driven by the stream of competition, and as if confessing ourselves impotent to bring about any real reform.

When questionable business is offered us or questionable privileges demanded, the decision, instead of being determined wholly by a consideration of what is reasonable and right, is too often determined by our idea of what some competitor would be likely to do. I believe that there is a very large amount of business done by all of our banks on conditions that would have caused its rejection if the managers, in deciding about it, had felt themselves able to follow implicitly their own unbiased judgment.

While we have every reason to be satisfied with the constitution of our banking system, the superiority of which is really unquestioned, our practical banking is a different matter altogether; and about that, probably the less said the better. The proportion of our bank failures is not calculated to make us anxious to invite comparisons with other countries.

In connection with this question of bank losses, I may refer

to a speech recently made by Jas. G. Cannon, Vice-President of the Fourth National Bank, New York, at the last annual convention of the New York State Bankers' Association. I quote from him as follows :—" A writer in one of the Boston " daily papers not long since stated that the Boston banks in the " period from 1st Sept., 1892, to 1st Sept., 1894, had charged to " Profit and Loss $10,175,522, and that the banks of New Eng- " land had charged off during the same period the sum of $36,- " 966,000, the larger proportion of these amounts being for bad " debts."

As a means of mitigating this deplorable state of things Mr. Cannon strongly advocates the necessity of requiring uniform statements from borrowers, and, as illustrating how such a practice might protect the banks from heavy loss, he says :—" I " desire to call your attention to 35 failures, in which the bank- " ers of New York city have been particularly interested, and " which occurred during the first six months of 1896.

" As closely as can be learned, the direct liabilities of 34 of " these concerns amounted to $13,984,000, and the contingent " liabilities of seven of them footed up $1,221,000, making a " grand total of direct and contingent liabilities of $15,205,000. " I have taken great pains to ascertain the causes which led to " these failures, and to gather some statistics regarding them. " Ten of the concerns refused to make statements. Three made " general representations without going into details, and 22 gave " detailed exhibits. A careful analysis of the statements of the " 22 concerns that gave details, supplemented by searching " investigations, disclosed the fact that 17 of them, or more " than 77%, were not in a position to deserve credit. Of the 35 " concerns in question, 27 either refused to make statements, or, " in giving them, revealed their financial weakness. Could " there be a more powerful and conclusive argument in favor of " the uniform statement system ? "

Of course all prudent bankers follow the practice of getting statements from their customers, if they can, when they think there is any occasion to do so, but I think it will be admitted that great laxity prevails in regard to it, and that in many cases a statement would be insisted on if the loss of the account were not feared. This is a very practical question, the settle-

ment of which rests almost entirely with ourselves ; and it seems to me that by adopting uniform action, and requiring all borrowers to furnish us with detailed statements—say from year to year—we should probably save ourselves from many a loss.

There is much more good likely to be done by working in this direction than by pottering over bankruptcy acts, which only come into play after the mischief has been all done, and which, in any case, we shall never get constructed to our liking. "An ounce of prevention is worth a pound of cure."

Another matter to which our attention should be directed is the high rate of interest paid by the government savings banks. While that rate remains at 3½%, the chartered banks dare not reduce their deposit rate below it. That rate consequently becomes pegged at an artificial figure, which in turn practically pegs the minimum rate to borrowers ; and so the whole trade of the country is handicapped.

This is an old grievance, which has given us a great deal of trouble in former years until it was temporarily remedied.

The general fall in the value of money throughout the world is again making this fixed rate ridiculous, as well as injurious to the country in a high degree. If there was no interference by the government with the natural flow of money in the country, interest rates would be very much lower, and at a time like this particularly, that would be a great boon to the commercial world.

Our banking resources must be found at home. The general business of the country must be run by means of home money. Government borrowings on the contrary can be far more advantageously negotiated abroad ; and it seems a most unwise policy to invite into the government coffers, and use as public revenue (which, once spent is gone forever), money which would otherwise fertilize the fields of commerce, and yet be available when wanted.

I would suggest that united action be taken by the banks to impress upon the government their views on this matter.

In concluding, perhaps I may be permitted to express the hope that an earnest effort may be made by our new government to improve our trade relations with the United States, as well as with the mother country. With the evidence of the

last census before us, it is impossible to believe that we can make the progress we should make, and which our resources would warrant, by obstructing free exchange with other countries, and trying to make ourselves self-dependent.

Instead of recognizing that all trade is barter, and that large imports mean also large exports, the administration of our custom house authorities would often seem to indicate that in the opinion of our officials the importer of foreign goods is little better than a disguised public enemy, or at the best but a questionable citizen.

The general outlook at present is, I think, better than it has been. A great revival of trade has taken place in the old country, in spite of low prices, an almost despairing agriculture, and increasing continental competition.

The threatened calamity of free silver in the United States, although it has already done enormous mischief, is not likely to be realized, as there are abundant signs that the people of that country are not so foolish and reckless as to deliberately enact dishonesty and plunge the country into temporary anarchy.

This trouble removed, a great improvement in general business would undoubtedly ensue, for crops of all kinds are abundant over the greater part of the continent, and nearly all other conditions are favorable.

Our own circumstances, while not as prosperous as we could desire, are not worse than they have been; but until a more settled condition of things is brought about in the United States, we are likely to have more or less trouble and apprehension of trouble in Canada, as we cannot fail to suffer from the disturbed state of affairs in that country. In the meantime we must be content with fair crops, and a more than promising outlook for our mining industries and our lumber trade with England.

Mr. Prendergast—I trust you will allow me to propose a vote of thanks to the president of the Association for his most interesting, able and instructive address. The useful advice which the president gives the community at large, and the bankers particularly, the most interesting suggestions that he makes, entitle him to the most sincere thanks of the Association. With your leave I will propose, seconded by Mr. Robertson,

that the thanks of this Association are hereby tendered to the president for his interesting address, and that the same be printed at length in the JOURNAL of the Association.

MR. ROBERTSON—Mr. President, I had not the pleasure of listening to the first few words of your address, but I heard the most of it, and I am sure I can only re-echo the sentiments of Mr. Prendergast, that we listened to it with the greatest of interest. There is only one part of the address that I take a little issue with, and that is a small one. We all remember that in an election in the United States not many years ago, when Cleveland and Blain were running, the election was lost to the latter by the use of the one phrase "Rum, Romanism and Rebellion," in an address delivered by the Rev. Mr. Burchard. There was one phrase of our esteemed president's that I would take a little issue with, not that I do not agree with it, but I question whether it is an expedient phrase to use. He has, in his speech, allied the triumvirate of "bimetallists, free silverites and protectionists." We are none of us bimetallists. I am sure none of us are populists. But whether protectionism is held to be wrong by Canadians generally or by all Canadian bankers, is a matter for discussion. That was one expression that struck me. Mr. Fyshe's words will be read with deep interest by all bankers in this country, by politicians who have any interest in banking and commercial subjects, and by all financial men. I do not say that I do not believe in free trade; I have no politics as such just now, but there are those who do not wish protectionism allied with populism and bimetallism. I do not think it is a happy trinity of phrase. Those who are protectionists do not want to be allied with populists, to be put on the same footing with them, or to have it said that the president of the Bankers' Association puts them all upon the same level. None of us are populists, some of us may be protectionists. With that one remark I have the greatest pleasure in seconding the motion.

MR. FARWELL—Before the motion is put I desire to heartily thank the president for the able address which he has given us, and for the great pains which he has taken in preparing it. Like Mr. Robertson, however, I left my politics at home, I do not remember just where, but I brought my Canadian feeling; I brought the feeling that we are all Canadians and that anything that goes out from us must go in the strongest terms to the world that we are Canadians and believe in our own country. I take the same exception that Mr. Robertson takes to a certain combination of words.

A lengthy discussion then ensued respecting the portions of the President's address dealing with the statistics of failures

in Canada and the United States and referring to the losses sustained by the banks, in which Messrs. Farwell, Walker, Burn, Crombie and Turnbull took part.

It was urged by these gentlemen in substance that while the statistics quoted by Mr. Fyshe were doubtless quite accurate, the inference he had drawn therefrom respecting the relative extent of the losses suffered by American and Canadian banks, was erroneous. Consideration had not been given to the fact that the statistics of failures in Canada included an enormous number of small storekeepers whose commencement in business with trifling capital was rendered possible only by the extravagant terms of credit which it is the practice of mercantile houses to accord. Tradesmen of this class never receive accommodation from banks, and the losses arising from their failure fall upon the wholesale merchants whose custom it usually is to make a special provision for such losses in the selling price of their goods, the system resulting in a tax upon the consumer. In the United States, by reason of their short term credits, this element must necessarily enter into the statistics of failures to a much less degree.

The speakers also contended that there was no necessary relation between mercantile losses and bank losses, and the opinion was expressed that the proportion borne by bank losses to the volume of business transacted was considerably less in Canada than in the United States—that indeed it was scarcely conceivable that it could be otherwise, having regard to the different principles upon which banking is conducted in the two countries.

In putting the motion of thanks to the president for his address, Mr. Walker remarked that he thought the discussion that had taken place was the most profitable kind that the Association could have. He personally felt that the Association owed Mr. Fyshe more thanks that his address had not been of the quiet character of those in previous years, which did not evoke discussion.

The motion was declared carried.

## MINOR PROFITS

The report of the committee on minor profits appointed by the Executive Council was submitted, and in accordance

with a recommendation contained therein, it was ordered that the report should be printed and copies supplied to the different banks for distribution among their branches, with a view to eliciting expressions of opinion, and suggestions from the managers.

### THE MONETARY QUESTION

Mr. A. A. Taillon, Manager of La Banque Nationale, Ottawa, read a paper on "The Monetary Question and Kindred Topics."

In moving a vote of thanks to Mr. Taillon the president complimented that gentleman on the excellence of his paper. It was recommended that the paper be published in the JOURNAL.

### AMERICAN CURRENCY AND SILVER

The President read a communication on the above subject from the secretary of the Montreal Board of Trade, addressed to the chairman of the bankers' section of the Board of Trade.

A discussion followed respecting the advisability or otherwise of the banks exacting a discount upon American currency, but as it was manifest that there was a wide divergence of opinion in the matter among the bankers present, no general action was recommended.

### ESSAY COMPETITION

The Secretary-Treasurer announced the result of the Prize Essay Competition, as follows:

Senior Competition: "The Future of Banking."

*First prize.*—"Sheet Anchor," H. M. P. Eckardt, Merchants Bank of Canada, Winnipeg.

*Second prize.*—"Satis Verborum," George Wilson, Imperial Bank of Canada, Toronto.

Junior Competition: "The Best Method of Book-keeping for a Country Bank Agency, etc."

*First prize.*—"Athae," Francis M. Black, Bank of British Columbia, Vancouver.

*Second prize.*—"Jacta est Alea," C. M. Wrenshall, Merchants' Bank of Canada, Kingston.

The president remarked that the conclusion of the examining committee was that the junior essays were, if anything, a

little better than the senior, and that in their opinion the paper winning first prize in the junior competition was an exceedingly clever performance.

The meeting adjourned until 10 o'clock the following morning.

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SESSION 10TH SEPTEMBER, 1896

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The Association met at 10 a.m.

SURETIES AND SECURITIES

MR. Lash read a paper on "Sureties and Securities."

MR. HAGUE moved that the thanks of the Association be tendered to Mr. Lash for his valuable paper, and that Mr. Lash be requested to permit it to be published in the JOURNAL.

He said :—

I have just one or two things to say in connection with this subject. The first is that the gist of this paper is contained in the last three words : "Consult your solicitor." When we do not consult our solicitors we often get into trouble, and I will say this further,—as a good many of these matters have to be dealt with by branch managers, whose duty it is to consult their own solicitors on the spot,—that in all matters of importance it is desirable to go beyond the opinion and advice—no matter how eminent the gentleman may be in his own sphere—of their local advisers, and consult the officers of law who are at the service of those who conduct the head offices of the banks. It is customary with most banks to have forms of guaranty, which forms have been most carefully considered by the most eminent counsel, both in Lower and Upper Canada. As you know, there are various matters connected with this in which the law may not perhaps be different in the letter, but very often be interpreted differently by judges in different parts of the country, and it is always desirable, therefore, that contracts of guaranty should be submitted to headquarters, in order to see that they are such as the general managers approve of and consent to, and if necessary these general managers consult eminent counsel and can better guide the officers of branches as to what they ought to do. There are innumerable differences of fact in these matters, and sometimes, when a suit is brought, the facts are not very well brought out in court. You know very well how witnesses to important matters of fact are sometimes badgered by counsel, so that they state the facts, not as

they really are, but as they happen to recollect them at the moment. I remember very well a case in which one of our managers, a most scrupulous and conscientious man, was called on to give evidence on certain matters of fact, which had taken place several years before, and in his desire to be accurate and to say nothing but the whole truth and the exact truth, he so stammered and bungled in his efforts to refresh his memory, that the judge at last said to him: "Sir, you are a shuffler." Yet his only desire was to be accurate, but instead of saying, as he ought to have, that he could not recollect things that took place so long before, he tried to recollect and gave the impression that he was a shuffler. We know how in a court such things will sometimes occur, and the facts do not get properly before the jury and the judge, and then the remedy is a new trial and all the rest of it. Lord Ellenborough, an eminent lord chancellor, as we all know, said that the surety received no consideration, and therefore no deviation from his contract should be allowed. They do not generally receive consideration, but sometimes they do and substantial consideration, and in such case the very rigid interpretation laid down by that lord chancellor hardly applies. It is undoubtedly the case that when we bankers have not only a guaranty, but other securities as well, we cannot be too careful in defining for what it is the surety becomes responsible, and more particularly what we ourselves undertake to do. One of the judges, you will observe, said in his judgment that there might be careless or improper handling of security. This opens up a world of contention and difficulty. There may be any amount of contention as to what is careless and improper handling, and what the bank ought to have done with the securities and why they did not do it. Questions of this kind may arise on almost every occasion where there are securities in addition to the guaranty.

We are all very much obliged to Mr. Lash for this paper, to almost every line of which I agree, as the result of experience, and some of us have had a pretty long experience in many ways. Almost every word brought up things which have come under my observation in the last thirty years, and the rules he has laid down are most valuable, but the last is the most important of all: Consult your solicitor.

THE PRESIDENT—I have much pleasure in putting the motion of Mr. Hague. I have always listened with the greatest interest to the reading of Mr. Lash's papers, they are so clear, practical and interesting, and not such opinions as we usually get from lawyers. He seems to enter with the greatest sympathy into the position of the banker and to realize

it in a way that lawyers do not usually do. It would be impossible, after reading the paper, to misunderstand our position in the cases of which he has treated.

Motion agreed to.

MR. LASH—It always affords me great pleasure to attend this meeting and to prepare and read a paper on some subject of interest to it. The greatest difficulty I find in getting up these papers is not so much the difficulty of the subject itself, or the time occupied in preparing it, but the inability to find a few hours of spare time at the proper moment. One is inclined to put off these matters, and this I was unfortunately compelled to put off—not the consideration but the writing of it—until yesterday, or I would have been present at the meeting yesterday. It will afford me much pleasure to have it published in the JOURNAL.

THE PRESIDENT—Perhaps the members of the Association would like to ask some questions in connection with this paper.

MR. WILKIE—I wish to ask Mr. Lash whether in his opinion, even if the guarantor had security from the primary debtor, he would still be released by any variation from the original contract as between himself and the primary debtor?

MR. LASH—I do not think the fact that the guarantor had security from the primary debtor would in any way affect the principles relating to his rights as between himself and the creditor. On that particular point I may mention that, up to a few years ago, it was generally assumed by the text writers, and certainly generally assumed by the profession in Ontario, and as far as I am aware, generally assumed by the profession in England, that if the guarantor received from the debtor security for his liability as guarantor, that security inured to the benefit of the creditor, on the converse principle that the securities given by the debtor to the creditor inured to the benefit of the surety. But in a late case in England, it was decided that the converse rule does not apply, and that the creditor has no right under the general law—unless there is something in the shape of an agreement or contract, to give him that right—to the benefit of the securities given by the debtor to the guarantor.*

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*The case to which Mr. Lash referred is that of *re* Walker—Sheffield Banking Co. v. Clayton, reported on p. 294 of volume I of the JOURNAL. The head note of the case is as follows:

"The proposition that the principal creditor is entitled to the benefit of all counter bonds or collateral security given by the principal debtor to the surety, cannot be supported." Mawer v. Harrison cited as the authority for the proposition, is not a decision to that effect."

THE PRESIDENT—They go back to the debtor's estate.

MR. LASH—Of course they do, if the liability for which the securities are given is discharged. But in the particular case to which I refer, the circumstances were these: The debtor had borrowed a sum of money from a bank, and a friend of the debtor's had guaranteed the payment of that money. The debtor had given his friend certain securities as security against the liability which the friend had incurred. Bankruptcy intervened, and the bank proved its claim against the estate of the bankrupt. The guarantor died and his estate was bankrupt; the bank proved its claim against the estate and claimed a special privilege and right to the proceeds of these securities, which had been given by the bank's debtor, and which had been collected by his executor. The bank claimed these securities on the theory that having been given to the guarantor by the debtor to the bank, they inured to the benefit of the bank. The court held, however, that proceeds of the securities were to be distributed, as a part of the guarantor's estate, among his creditors generally, the bank merely ranking for their claim against the guarantor, and merely having an ordinary right to the dividend.

THE PRESIDENT—That is rather startling.

MR. LASH—Yes, because it is so contrary to all our views and the text book writers.

MR. COULSON—Has that judgment gone to appeal?

MR. LASH—No, but it was given by a very eminent judge, and was very well considered. He traced out the decisions, and showed quite clearly that those decisions which had been relied upon for the opposite view, did not bear it out. Unless you can prove that the securities were given by the debtor to the guarantor, upon a trust that they should inure to the benefit of the creditor, if the debtor should fail, the creditor has no privilege on them.

MR. COULSON—If that was the only liability existing

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The concluding part of the judgment is as follows;

"Under these circumstances, it seems to me that there is no real authority for the proposition in question; and, upon principle, I cannot see why a surety who takes from the principal debtor a bond or indemnity at once becomes a trustee of that for the principal creditor. That is really the contention of the plaintiffs. Of course the other doctrine is well established, viz., that the surety who pays the debt is entitled to stand in the place of the principal creditor; but the doctrine contended for by the plaintiffs rests entirely on those dicta which I have mentioned.

"It seems to me, under these circumstances, that I cannot give effect to the contention of the plaintiffs, and that they must simply be left to prove against the estate of the testator for what is due to them, without having the exclusive benefit of these securities in respect of which payments have been made to the estate."

between the two, and the security was given to secure it, how could it be possible in any equitable decision, that the creditor should not obtain the security?

MR. LASH—The security was not given to secure the debt, but it was given to the guarantor as an indemnity against his liability, and the Court held, in the absence of some agreement or trust which was connected with the giving of that security, that the law did not entitle the creditor to the benefit of it.

MR. HAGUE—Were the facts clearly brought out?

MR. LASH—Yes. Since that decision came out I have taken occasion, in all such matters coming to my knowledge, to recommend banks at once to take from the surety an assignment of his securities, and of course in most cases that can be got. That, of course, would entitle the bank to the securities.

MR. COULSON—If it is made applicable to certain notes, and you get hold of the notes, are you not entitled to the security?

MR. LASH—If the security be given to secure payment of the notes themselves, the case would be different; but in the case referred to the security was given to the guarantor, not to secure payment of the debt, but to indemnify him against his liability as guarantor.

MR. FARWELL—Will the case go to appeal?

MR. LASH—I do not know that this case will go to appeal, because it was decided several years ago, and if it had gone to appeal, we would have seen it. It arose out of administration proceedings by a bank attempting to get a special right to the securities which the deceased bankrupt had received from the bank's debtor, and which had passed into the hands of the executor.

MR. FARWELL—You do not know whether any settlement was arrived at?

MR. LASH—I do not know whether there was any settlement between the parties, but there was no appeal.

MR. HAGUE—Are we to understand that in the case the bank established that these securities were handed to this guarantor for the purpose of securing him against payment of the debt of a debtor to the bank, and that the Court held that the bank had no right to these securities?

MR. LASH—That was established beyond question, and that was the point in the case.

MR. HAGUE—That the guarantor got these securities for the express purpose of securing himself against any default by the debtor to the bank?

MR. LASH—Yes, that was the only reason he got them.

MR. WILKIE—If the securities did not belong to the bankrupt estate of the guarantor it would be quite possible for the bank to do things, in an indirect way, that banks are forbidden to do, by their charter, in a direct way. How, for instance, could a bank take real estate from the guarantor, when we could not take it from the primary debtor? How could we make a loan of $20,000 indirectly on the security of one of these buildings, when we cannot do it directly? If a bank is satisfied with a guarantor, because he has got from the debtor real estate as security, and then, on the failure of the debtor and guarantor, could claim that real estate, the bank would be doing what its charter does not allow it to do.

MR. LASH—Of course the bank cannot exceed its charter, but that decision applies to other securities as well.

MR. WILKIE—Your advice, "consult a solicitor," is very good, but is it not always better to consult the solicitor beforehand and have a form of guaranty that would meet every contingency? Could not that be done?

MR. LASH—Yes, I think that this subject can be placed, in every part, under contract. There are no rights of the guarantor which he cannot waive, and no agreement respecting a guaranty which cannot be made; but when you come down to practical operations, there are dozens of cases where you dare not ask a guarantor to enter into all these agreements to provide against what might happen in the case of ultimate failure of the debtor and bankruptcy of the guarantor.

MR. FARWELL—In the case suggested by Mr. Wilkie, I understand it would be impossible to reach the property unless there was an arrangement between the bank and the guarantor.

MR. WILKIE—When speaking I had in mind the case of a discharged guarantor. By some oversight, the guarantor himself was discharged, and you sought to follow his security. The security is one you cannot take under your charter, and therefore you cannot take it by any agreement with the guarantor.

MR. AUSTIN—What becomes of the claim of the debtor to the securities?

MR. LASH—The security he gave to the guarantor would work around in this way. If the guarantor paid the claim, or if his estate paid it, the guarantor or his estate would have a claim against the debtor for an amount equal to that which was paid. If the guarantor realized on the securities, and with the proceeds paid the claim, it is in effect the debtor who has paid it, and the guarantor has no claim against him. The debtor ultimately gets the benefit of the security, the real contest being

whether that benefit goes to the bank directly or to the general estate of the guarantor, subject to distribution among all the creditors.

Mr. Hague—Would that be a binding precedent for our courts ?

Mr. Lash—Yes, for courts of equal jurisdiction.

Mr. Hague—Look at the iniquity of it. If the debtor pays the debt, there is an end to the question. But the debtor must have been bankrupt too, or otherwise the case would never have arisen. The debtor would have rendered himself probably unable to pay the debt by handing over these assets of his to the guarantor.

Mr. Lash—There is a great deal to be said in favor of your view, and it was a startling decision, but as long as it is there unreversed, our trial Courts are undoubtedly bound by it.

Mr. Hague—The debtor hands over a lot of his property to the guarantor and thereby renders himself unable to pay his debts. Then the guarantor fails, and his creditors, who have nothing on earth to do with this property of the debtor, claim it. Would all our Courts be bound by that decision?

Mr. Lash—Our Courts are divided in somewhat the same way as the Courts in England. First, there is the trial by a single judge, and he would generally be bound by the decision of a single judge in England. Of course I speak as to Ontario only.

Mr. Crombie—Suppose the guarantor is willing to give up his security and does so. Under the Quebec Law, a bankrupt is supposed to have some suspicion that he is insolvent, and if he gives up his security to the bank, can the assignee of the guarantor demand it back ?

Mr. Lash—That is something which is entirely outside the law applying to sureties. That comes down to the question of preference under the laws relating to the preferring of creditors. Whether or not an assignee could recover property which the bankrupt had in that way diverted, would depend on all the circumstances surrounding the transaction—the knowledge of the creditor, the intent, etc. There would be no difference between deciding that and any other question of preference. The mere fact that it was a security given over by a guarantor would not be decisive one way or the other.

Mr. Crombie—When it was given specially to secure the liability for the debt ?

Mr. Lash—That would be a matter for consideration, in deciding the question of intent, as to whether it was an intent to prefer, or whether it was not dictated by the feeling of right

and justice which should control a man in that position. It is the law of preference which would govern and not the law of principal and surety.

MR. PRENDERGAST—To all intents and purposes, these securities form part of the guarantor's estate?

MR. LASH—Yes, that is the result of the decision.

THE PRESIDENT—This should be further discussed and brought up either in the JOURNAL or some other way. It does not seem just that security given in connection with certain obligations represented by notes, which has always been held hitherto to follow the notes, should be diverted to other purposes. If it turns out now that, in the event of the insolvency of the guarantor, the securities go into his estate, that will effect a real injustice to the debtor and his creditor. Supposing a private bank rediscounts its notes and hands over securities to the bank with which it rediscounts, it has always been held that whatever securities attach to these particular notes follow them, and the bank gets the benefit of them. If this decision upsets that, I do not see how you would get rid of the gross injustice which would be done to the original debtor's estate if the securities he has given to the guarantor who has failed are divided among the creditors of the guarantor. Moreover, it is a direct contravention of the well understood principle that all those things are to be decided according to the intention of the parties. Here you say the original intention of the parties was clearly brought out in the evidence, and yet that intention was set aside.

MR. LASH—The principle of the decision, of course, I am not criticizing. The ground of the decision was that the security was given to the guarantor, not to secure the payment of the particular debt. If it were given in the last named way, as is usually done when money is borrowed from a private banker, it is probable that a trust might have been attached to it, which would devote the proceeds of the securities to the payment of the debt, and which would make the securities follow the debt into whatever hands it got. The security in the case we have been discussing was given to the guarantor, not to secure the payment of the debt directly, but by way of indemnity to him against the liability which he incurred. Therefore, so far as the parties could make it by their contract, it was a contract between the guarantor and the debtor only, to which the holder of the obligation guaranteed was not a party, and in which he took no interest!

THE PRESIDENT—It was a payment or consideration to the guarantor.

Mr. Lash—No, because if the debtor had paid, he would have been entitled to the whole securities back.

The President—That shows the clear connection. If the debtor was entitled to get back the securities, his creditor would be entitled to those securities.

Mr. Lash—That is what can be argued as opposed to the correctness of the decision. I am only pointing out that there is no way out of the position the Court has taken in the case.

Mr. Walker—Take the case of a private banker who rediscounts a note with us. He has taken security for that note. The security is for that specific debt. Is that security connected with the note in such a way that it would not come under the decision you mention?

Mr. Lash—I think so. I had occasion to consider that on a question submitted by the Editing Committee. The conclusion I came to on principle was this. If a man borrows money from a private banker and gives security to the banker for the payment of the note, then if that banker transfers the obligation, the law transfers with it the security.

Mr. Wilkie—Even if it is a mortgage on real estate.

Mr. Lash—Yes, but the case is quite different from that in which the money is not borrowed from the private banker, but directly from the bank, and the private banker is merely asked to endorse the note.

Mr. Hague—In such a case, it ought to be distinctly recorded between the parties in writing that the securities are handed over for the purpose of meeting that debt.

Mr. Lash—That would make it all right, because that would supply, by contract, the link which the law says does not exist in law between the bank and the guarantor.

Mr. Hague—There must have been a deficiency in the practical handling of the case to leave such a question open, and there must have been some question of fact which was not properly brought out in the trial. Let me say this while I am on my feet. It is customary with all the banks to have a form of guaranty. That form is generally drawn up by eminent counsel, the counsel of the banks in the larger cities, and for my part I must say that I am exceedingly jealous of that form being changed or added to in any particular. You ought never to change a form of guaranty that has been thoroughly considered, all the points carefully guarded, and all these particulars which Mr. Lash brought up this morning. Let me say to younger managers in the country districts, that at a distance from the head office it is never safe to have a single line introduced into a guaranty without the consent of the head

office. Never consent to have your solicitor draw up a special form without submitting it to headquarters, where it will be considered and submitted to the more eminent counsel such as we have in the larger cities. We must always bear in mind that although the law may be the same in all parts of the Dominion, with regard to guaranty and banking generally, it is singular how different an interpretation will be put on the law by judges in the province of Quebec compared with those in other parts of the country. In the case of any debt that is contracted, you have to consider where it is contracted and under the jurisdiction of what court, and what judges will have to interpret it, and you must be extremely careful not to take any guarantees outside the forms provided.

MR. WILKIE—We asked Mr. Lash whether by a clause in the deed of guaranty or by some other document, the guarantor could agree to make over to the creditor the security which he had taken. And I understood him to say that that could be done. Suppose the security given to the guarantor by the debtor consists of real estate, and the advance to a debtor is made by a bank, and the whole thing is done simultaneously, the bank would indirectly become possessed of real estate, and be loaning on real estate which would not be regular.

MR. LASH—I was merely dealing outside of the statutory enactments restraining our banks in Canada from taking real estate.

MR. WILKIE—But we all know that in nearly every instance, the security given the guarantor is real estate, because we can take the other security ourselves, so that it does not do to depend upon the provision suggested that the guarantor should agree to make over these securities, because he could not do it when the security was such that the bank could not take it.

MR. LASH—You must of course keep in view the power of the bank or creditor if it be controlled by statute: and since our Bank Act says that banks shall not lend money upon the security of real estate, they cannot, in this indirect way, get the benefit of that security. If that clause were not in the Bank Act, or if the creditor were a private banker or a bank without any limitation, such securities could be assigned to it by agreement.

MR. FARWELL—I would like to ask a question about the form of security under section 74 of the Bank Act. I have seen forms prepared by eminent solicitors in Montreal, in which it is stated that the security given in this agreement may also be held by the bank for any other indebtedness which may be due.

I thought it was a very good form and got it printed, but our solicitor questioned very much whether it might not be held to invalidate the document.

MR. LASH.—I have had occasion to consider that question, and have advised, without hesitation, as a matter of prudence, and also because I entertain a somewhat strong view on the legal question, that any alteration or addition to Form C in section 74, if it alters the effect of that form, as given in the Act, would invalidate it. I have seen forms loaded with all sorts of conditions.

THE PRESIDENT—The same thing would apply to warehouse receipts.

MR. LASH—No, for this reason. In section 74 of the Bank Act, the statute provides that the bank may lend money to any wholesale dealer, etc., on the security of certain goods, etc., and then says that such security may be taken in the form of Schedule C or to the like effect. If they do not take it in the exact form of Schedule C, they can take it to the like effect; and if they put in it something which makes it quite different from Schedule C, they are not making a form to the like effect. But the same section does not apply to the taking of the security of warehouse receipts. There is no form given, and so long as it is an acknowledgment by the man who is in actual possession of the goods, it answers the purposes of the Act. No form being given, it would not invalidate the receipt to have special conditions attached, provided the substance is there, namely, that it is an acknowledgment by a bailee.

MR. FARWELL—Our solicitor held that this section, 74, gave exceptional powers, and consequently we could not go beyond it.

MR. LASH—I think he was right.

This question has just been handed to me: "Would the debtor have a claim on the securities he handed over to the guarantor, if the guarantor became bankrupt, or only a pro rata claim?" I suppose the question is, would the debtor, if he paid the debt, have a claim to the full benefit of the securities. There can be no question that he would have a claim to the full benefit of the securities because they are his securities, and he could claim to get them back.

MR. WEIR—In that way the bank could reach the securities?

MR. LASH—Not if the parties failed. The case only arises in practice when they are both insolvent.

The debate having closed, Mr. Chipman, the secretary, read the report of the Editing Committee, as follows:

## REPORT OF EDITING COMMITTEE

*To the Members and Associates:—*

The Editing Committee beg to report concerning the work of the past year as follows:

In their report of a year ago they estimated the cost of publishing the JOURNAL during the ensuing year at $1,550. The actual cost has been $1,408.82, from which is to be deducted the direct revenue from advertisements and outside subscriptions, $394.22, making a net expenditure of $1,014.60. As against this last amount may be properly considered the sum of $941, fees received from Associates for whose benefit the JOURNAL was largely instituted. The result is more satisfactory than the Committee had felt warranted in predicting in their last report.

The committee find it impossible at the moment to submit an estimate of the probable revenue from and expenditure upon the JOURNAL in the coming year. A considerable increase in the revenue from advertisements and subscriptions is assured, and a further growth in the Associate membership seems probable, so that there is no reason to anticipate a less favorable showing than that for the past year. The present committee, however, venture to recommend that should it be found necessary to enlarge the dimensions of the JOURNAL, a net expenditure by their successors should be authorized of say $300 in excess of the amount received by the Association from Associates' fees.

The committee are pleased to be able to report that in many respects there are evidences of a growing interest in the JOURNAL on the part of bank officers.

The JOURNAL was fortunate in respect to the character of the contributions received during the year, and the committee are glad to be able to state that a number of valuable contributions for the next volume have already been arranged for.

All of which is respectfully submitted.

J. H. PLUMMER, J. HENDERSON, E. HAY — Editing Committee

MR. FARWELL moved, seconded by MR. F. G. JEMMETT

That the report of the Committee be adopted and that the thanks of the Association are due and are hereby tendered to the Editing Committee and to the Corresponding Committee for their valuable services in connection with the JOURNAL, and to all those who have in any way contributed to the success of the JOURNAL.

MR. WILKIE took occasion to comment specially on the value to the Associates of the JOURNAL's legal column. It was also very satisfactory to bank officials to know that they could always obtain through the JOURNAL carefully considered and trustworthy answers to questions on banking law.

MR. WALKER expressed satisfaction with the financial statement of the JOURNAL. If the accounts of the JOURNAL were credited with the amount received from the fees of the Associates, as might fairly be done, it was apparent that the cost of

the publication to the Association in the past year had been less than $100. The promptness with which the renewal fees of Associates were paid was substantial evidence of their appreciation of the value of the JOURNAL.

The motion carried.

### SUB-SECTIONS

The report of the Ottawa sub-section was presented. The only business transacted during the year, apart from the preparations for the annual meeting, had been in connection with the Mulock bill respecting the legal rate of interest. The sub-section had invoked the assistance of the Ottawa Board of Trade by urging their consideration of the various reasons against the passage of the bill.

### INTEREST ON GOVERNMENT SAVINGS BANK DEPOSITS

MR. WILKIE introduced the subject of the rate of interest on Government savings bank deposits, and the postage rate. After some discussion, it was moved by MR. WILKIE, seconded by MR. WALKER,

That the Executive Council should be requested to confer with the government at the earliest possible moment, and urge the desirability of a reduction being made in the rate of interest paid on deposits in the government savings banks from 3½ to 3 per cent.

### ELECTION OF OFFICERS

MR. MARLER moved, seconded by MR. SAUNDERS, that the Editing Committee and the Corresponding Committee of the JOURNAL be re-elected for the ensuing year. Carried.

It was then moved by MR. PRENDERGAST, seconded by MR. BRODRICK, that the Auditors, Messrs. E. Stanger and A. D. Durnford, be re-elected for the ensuing year. Carried.

MR. WALKER—Before a ballot is cast by the members for the new Executive, I may say that we have experienced the same difficulty as in past years, arising from the fact that there are a certain number of representative institutions which should be on the Executive Council each year; and the Council, although it consists of nine members, has no room for the changes we would like to see made. I desire to give notice

that at the next annual meeting of the Association, a motion will be brought before you to increase the Executive Council from nine to twelve.

THE PRESIDENT—What is the object?

MR. WALKER—The object is this: As the gentlemen at present composing the Executive Council, together with the Vice-Presidents, represent geographical sections of the country, and are the chief officers of institutions of importance, so that they cannot very well be dropped from the Executive Council, it is impossible to elect the chief officers of other banks who have never yet been represented on the Council. If you increase the number you will have a margin of two or three names from which to make changes.

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MR. WALKER—I think it would be the desire of everybody to vote for the re-election of Mr. Fyshe as President, but he seems to be very obstinate. I do not know whether he can be prevailed on to do as others have done, serve for two years.

MR. FYSHE—I should be very happy to serve, but it is really out of my power to do so.

On motion the President was desired to cast one ballot for the election of officers for the ensuing year.

The ballot being cast the scrutineers reported the following officers elected:

AS HONORARY PRESIDENTS

Hon. Sir Donald A. Smith, G.C.M.G., President, Bank of Montreal

Geo. Hague, General Manager, Merchants' Bank of Canada

AS PRESIDENT

F. Wolferstan Thomas, General Manager, Molsons Bank

AS VICE-PRESIDENTS

Thomas Fyshe, Cashier, Bank of Nova Scotia

D. R. Wilkie, Cashier, Imperial Bank of Canada

Thos. McDougall, General Manager, Quebec Bank

G. A. Schofield, Manager, Bank of New Brunswick

AS EXECUTIVE COUNCILLORS

E. S. Clouston, General Manager, Bank of Montreal

D. Coulson, General Manager, Bank of Toronto

Geo. Burn, General Manager, Bank of Ottawa
M. J. A. Prendergast, General Manager, Banque d'Hochelaga
H. Stikeman, General Manager, Bank of British North America
B. E. Walker, General Manager, Canadian Bank of Commerce
D. H. Duncan, Cashier, Merchants' Bank of Halifax
W. Farwell, General Manager, Eastern Townships' Bank
J. Turnbull, Cashier, Bank of Hamilton.

After some discussion as to where the next annual meeting should be held, it was moved by Mr. Van Felson, seconded by Mr. Crombie, and carried unanimously:

That the Executive Council be desired to hold the next annual meeting at Niagara Falls, Ontario, during the first week of September next.

It was moved by Mr. Crombie, seconded by Mr. Prendergast:

That the thanks of this meeting be hereby tendered the Ottawa bankers and citizens, the presidents and committees of the Rideau Club, the Ottawa Rowing Club, the Ottawa Canoe Club, the Amateur Athletic Association, the Hull Electric Railway Company, the Ottawa Electric Company, the Gatineau Valley Railway Company, and Mr. W. C. Edwards, Rockland, for their united kind hospitality during our visit. Also to the Hon. the Speaker of the House of Commons for having placed the Tower Room at our disposal, and to the Sergeant-at-Arms, Colonel H. R. Smith, and to Mr. MacLeod of the Civil Service, for their kind offices.

The Hon. Senator Lewin, president of the Bank of New Brunswick and one of the first honorary presidents of the Association, was then called to the chair in order that a vote of thanks might be passed to the president.

MR. WALKER—Before the convention closes I have a resolution to propose. We owe to our president for the labors he has performed in connection with the Association during the past year, our most hearty thanks. As a past president, I know what it means to hold that office. It is by no means an ornamental one or a sinecure, but involves a great deal of arduous work throughout the year. To our appreciation of his able address to us yesterday and the discussion which took place upon it, and his ability in presiding over the meeting, and the affection we all bear to him as a brother banker, I am attempting to give some feeble expression. I beg to move that our heartiest thanks are due and are hereby tendered to the retiring president.

MR. HAGUE—Will you allow me, sir, to second that motion? I must say that we all of us feel gratefully indebted to our president for the good work he has done on behalf of the Association, and regret that we could not induce him to continue in the office another year.

MR. FYSHE—I think, gentlemen, you are giving me rather more than my due. I accepted the position with the greatest reluctance and would very much rather it had been occupied by some other member of the Association, but believing it was the duty of every member to do his best in the interests of the Association, and not wishing to become conspicuous by shirking any of the duties, I accepted the position. I have been painfully conscious during the whole year of my unfitness for it, and, besides, I live too far away from the centre of business to be able to attend to its duties satisfactorily. However, I have done the best I could, and am pleased to think that what I have done has met with your approval.

The fifth annual meeting was then declared closed.

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## THE BANQUET

The banquet to the delegates to the Canadian Bankers' Association at the Russell House was most successful indeed in every respect. For the style of the banquet, the representative character of the guests and the quality of the speeches, it has seldom been equalled in Ottawa. The splendid dining hall of the Russell was tastefully decorated. Those attending numbered about 175, the chair being occupied by Mr. Thomas Fyshe, President of the Association. To his right sat Hon. Wilfrid Laurier, Prime Minister, and on his left Sir Richard Cartwright. Among the other guests were the following: Sir Henri Joly; Sir Henry Strong, Chief Justice of Canada; Hon. C. A. Geoffrion; Hon. John G. Haggart; Mr. Justice Girouard; Mr. Justice Burbidge; Mr. Sheriff Sweetland; Mr. J. B. Riley, United States Consul-General; Lieut.-Col. the Hon. Matthew Aylmer, Adjutant-General of Canada; Mr. Weir, President of the Ville Marie Bank; Mr. Hague, General Manager Merchants Bank; Mr. D. R. Wilkie, General Manager Imperial Bank; Mr. B. E. Walker, General Manager

Canadian Bank of Commerce; Mr. George Burn, General Manager, Bank of Ottawa; Mr. Prendergast, General Manager, Hochelaga Bank; Mr. Farwell, General Manager, Eastern Townships Bank; Mr. J. M. Courtney, Deputy Minister of Finance; Rev. W. T. Herridge; Rev. Dr. Saunders; Hon. Col. Prior, M.P.; and a number of other members of parliament and leading commercial and financial men of Ottawa. The small gallery was graced by Mme. Laurier and a party of lady friends.

In response to the toast of "Her Majesty's Ministers," Mr. Laurier made a speech. He was received with great enthusiasm. His remarks were of that character which befit an after-dinner deliverance. The banking system of Canada he described as a credit to the nation, and it was a model the new government of Canada was going to copy. Sir Henri Joly also replied.

The toast, "The Parliament of Canada," was replied to by the Hon. C. A. Geoffrion and Hon. J. G. Haggart.

Sir Richard Cartwright responded to the toast of "The Banking and Commercial Interests of Canada," in a practical speech, which was listened to closely. He read a tribute by Mr. David A. Wells to the banking system of Canada, which Sir Richard described as the true sheet anchor of Canada. Messrs. Hague, Walker and Wilkie also spoke.

## NOTES AND COMMENT

THE President's address was the subject of an animated discussion at the recent meeting of the Association. Many of those present were not prepared to accept the accuracy of the statistics or the inferences drawn from them, and it was also clear that there was a difference of opinion on the questions of political economy that were dwelt upon in the address. The address is published as part of the proceedings of the meeting, but in view of the numerous communications that have been received by the Editing Committee, they think it right to point out that the addresses annually delivered from the president's chair are understood to express the individual opinions of the speaker only. The only official utterances of the Association are those which are embodied in resolutions passed by it, or—within the limits of its powers—by the Executive Council.

Mr. Lash's paper on "Sureties and Securities" which was read at the meeting has been unavoidably held over until the next number. The discussion which followed its reading, bearing on the case of *Sheffield Banking Co. v. Clayton* was interesting; we would again call our readers' attention to the case, as reported in the JOURNAL (vol. I, p. 294), and to the comments thereon at p. 230 of the same volume.

Pressure on our space has also made it necessary to hold over one of the prize essays.

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WE publish in this issue the first of a series of articles relating to the early history of banking in Canada, which Prof. Adam Shortt, M.A., has signified his intention of contributing to the JOURNAL this year. The present contribution will be read by bankers with a great deal of interest. The documents quoted

appear to clearly establish the contention that the Canadian banking system owes its origin to the United States. The material was obtained only after the most painstaking research among public and private records, and the article is a valuable contribution to the literature of banking.

Its perusal prompts interesting reflections.

When the first Bank of the United States had flourished and become a strong institution it was crushed out of existence by legislation, because of the fear of its acquiring a monopoly. Two or three subsequent attempts to found a Bank of the United States fared similarly, and the banking laws were thereafter framed with the clearly avowed intention of limiting the power of any one institution and confining the scope of its operations within narrow bounds. The disastrous consequences of this legislation are seen in the existing banking and currency conditions of that country.

In Canada, on the other hand, commencing with a bank organized under a charter copied in its entirety from that of first Bank of the United States, there has grown a system of banking institutions which have at least provided a thoroughly scientific currency, and, in addition, have never—even during the periods of financial stress which have prevailed throughout the entire extent of the neighboring republic—been found deficient in resources out of which to readily meet all legitimate demands for banking accommodation from every part of the Dominion.

It is a reasonable assumption that had the charter of the Bank of the United States not been revoked, and had banks been permitted to organize without extraordinary interference on the part of the government, there would have grown up a banking system—however different from that which grew out of the same beginnings in Canada—which would have been suited to the requirements of the country. The conscientious endeavors of the early legislators to destroy whatever should have the semblance of a British institution has brought a rich reward.

# QUESTIONS ON POINTS OF PRACTICAL INTEREST

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

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

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

*Lien Notes*

QUESTION 41.—Referring to the case of *Dominion Bank v. Wiggins*, reported at page 80 of vol. I of the JOURNAL, and to the comment on the case at page 2 in which you express the opinion that a lien note could possibly be so framed as to make it negotiable and yet do all that is effected by the lien note now commonly in use,—would the following form of note meet the case:

Six months after date I promise to pay ——————— or order at the ———— Bank, Winnipeg, ———— dollars, value received.

This note is given for a ———— reaper, on which I hereby give a lien to the holder of this note from time to time as security for the payment of this note.

ANSWER.—We think that the above is a negotiable promissory note, giving the holder thereof all the rights and remedies usually possessed by the holder of a negotiable instrument. Although it is stated that the money to be paid is the consideration for the sale of the property, there is nothing importing that anything further is to be done by the vendor of the property in the way of making title or otherwise. On the contrary, the maker gives a lien to the holder of the note which would imply, if anything, that the sale to the maker was complete. We do not say that the lien given would afford a safe security, as it would be void as against creditors under the chattel mortgage Act. We merely say that mention of the lien on the note would not prevent its being a negotiable instrument.

*Endorsement by an Official on behalf of a Company*

QUESTION 42.—What is the legal difference, if any, affecting either the bank itself or its signing officers, between the

following forms of signing drafts, receipts, orders, etc.: "The Bank of Canada—A. B., Manager or Director," and "For the Bank of Canada—A. B., Manager or Director"?

ANSWER.—We think there is no difference whatever, either affecting the bank or the signing officer, in the effect of the above modes of signature. Either would be held to indicate that A. B. was signing on behalf of the bank.

*Identification of the Payee of a Cheque*

QUESTION 43.—A cheque drawn to order is presented for payment by an individual unknown to the officials of the bank. He claims to be the payee. Is the bank entitled to delay paying the cheque while it takes diligent steps to satisfy itself as to the identity of the payee?

ANSWER.—We think the bank is so entitled. Unless the cheque had been accepted by the bank, and a liability thereby incurred towards the payee, the bank by refusing absolutely to cash the cheque would not be responsible to anyone but the drawer; *a fortiori* it would not be responsible to the payee by merely delaying payment. The drawer's direction to the bank in the cheque is to pay to a particular person, or to his order. Unless the drawer affords the bank some means of immediately identifying the payee, he must be taken to have intended that the bank should see to his identity. He therefore cannot complain if the bank takes a reasonable time to do this. Therefore the action of the bank in not immediately paying the cheque would not be considered a refusal to pay, entitling the drawer to an action for damages because his cheque was dishonored. If the cheque had been accepted by the bank and a liability thereby incurred towards the payee, the bank's refusal to pay immediately on presentation by the proper person would give him the right to sue the bank at once, but his claim would be limited to the amount of the cheque and interest; he would have no claim for special damages; and, as costs are now in the discretion of the Court, it is entirely probable that the Court would refuse the plaintiff his costs if he were unreasonable in commencing his action, and if the bank in delaying payment acted reasonably under all the circumstances and paid the amount into Court so soon as it obtained reasonable evidence of identity.

*Witnessing a Signature by Mark*

QUESTION 44.—What does witnessing a man's mark imply, identification of the man, or merely that the witness saw the mark made?

ANSWER.—Where the person making the mark is described

in the document, the witnessing of his signature or mark implies *prima facie* that the person signing or making the mark is the person described in the document. For instance—if he were described as John Smith, lumberman, of Ottawa, the implication would be that the witness saw a John Smith, lumberman, of Ottawa, sign, or make his mark. The implication would not be conclusive; evidence would be admissible to show that the person actually signing or making his mark was not the person described in the document. If the person be not described in the document, then the witnessing of his signature or mark merely implies that the witness saw the signature or mark made by an individual of that name. The identity of the individual with the person claimed to be a party to the instrument would have to be proven.

### *Guarantee Written upon a Bill or Note*

QUESTION 45.—A man writes and signs upon the back of a bill or note the following: "I hereby guarantee payment of the within." Is he entitled to notice of dishonor?

ANSWER.—We think not, and for the following reasons: The contract made is a contract of guarantee and not of endorsement, and to make a guarantor liable it is not necessary that he should receive notice of non-payment of the debt payment of which he guaranteed. The only doubt upon the subject arises under section 56 of the Bills of Exchange Act, 1890. That section is as follows: "Where a person signs a bill otherwise than as a drawer or acceptor, he thereby incurs the liabilities of an endorser to a holder in due course, and is subject to all the provisions of this Act respecting endorsers." The words "and is subject to all the provisions of this Act respecting endorsers" do not appear in the English Act, and it may be contended that a person who signs a guarantee on a bill signs the bill otherwise than as a drawer or acceptor, and that, being subject to all the provisions of the Act respecting endorsers, he is entitled to notice of dishonor. We think, however, that a person who signs a guarantee on the back of a bill cannot be said to sign the bill within the meaning of section 56. He is not signing the bill; he is signing a special contract which he has written upon it. If every person who merely places his signature upon a bill signs it within the meaning of section 56, then a mere witness described as such would incur the liability of an endorser. This, of course, could not be so. The statute cannot mean that a person who signs his name on a bill, with an express statement of the contract which he intends thereby to make, or of the capacity in which he signs, becomes liable to any greater extent than the special contract or capacity calls

for. If this were not so, then a person who upon a bill for $1,000, wrote and signed a guarantee to the extent of $100 only, would under section 56 become liable for the whole thousand, a *reductio ad absurdum.*

### *Alteration of a Cheque after Certification by the Bank*

QUESTION 46.—A draws a cheque payable to B for $1,000: gets it certified by his bank, and sends it by post to B. B finds he does not need it and returns it to A, but omits to endorse it. A changes "order" to "bearer" and initials the alteration; then presents it to the bank for payment. The bank, however, refuses to pay the cheque, and allows it to be protested on the ground that the cheque has been altered since it was marked. Is the bank right ?

ANSWER.—We think the bank is technically right, as the alteration of the cheque without the bank's consent avoided it, and the bank could strictly decline to cash it. Substantially, however the drawer would not lose the thousand dollars. It would work out in this way: The drawer of a cheque may at any time before payment countermand the cheque, and, as between the bank and the drawer, the bank must upon the countermand decline to pay and still hold the money for the drawer. If, however, the payee gets the cheque marked at the bank, then the drawer cannot countermand; but should the payee not get immediate payment, and should the bank subsequently fail or refuse to honor the cheque, the drawer would not be liable upon it to the payee. But we think that where the drawer himself gets the cheque certified he can still countermand it before he has parted with it; in other words, before the bank has become liable to anyone but himself upon it. If, therefore, in the case put, the drawer before sending the cheque to B had changed his mind and cancelled the cheque and handed it back to the bank, the bank would have had to reverse the entry and credit his account again with the amount. The payee having returned the cheque to the drawer, and it being lawfully and beneficially in his possession, we think he would have the same right to cancel it and countermand its payment. Had he done so the bank would have been bound to restore the amount to the credit of his account, and he then might have drawn a new cheque and got it cashed. He clearly had no right without the assent of the bank to alter the existing cheque, and ask to have it cashed.

## LEGAL DECISIONS AFFECTING BANKERS

NOTES

*Material Alteration of a Bill of Exchange.*—In discussing the decision of the House of Lords in *Scholfield v. Londesborough*, published in this number of the JOURNAL, the *Solicitors' Journal* notes that the judgment has finally disposed of the doctrine that the acceptor of a bill of exchange owes any duty to a subsequent holder of the bill to see that it is drawn in such a form as not to facilitate a fraudulent alteration. The doctrine had been based on the decision of the Court of Common Pleas in *Young v. Grote*, where the bank was defrauded through the negligence of its customer with respect to the issue of a cheque, the ground of the decision being stated by Best, C.J., in these words: 'We decide here on the ground that the banker has been misled by want of proper caution on the part of his customer.'

" *Young v. Grote* is not overruled by the House of Lords, but it is held to extend no further than the case of banker and customer, and even as to this when a case again arises it is possible that the matter will require further consideration. As to bills of exchange at any rate, there is no rule imposing upon the acceptor a duty towards the holder of the bill to examine the bill and put it out of the power of any person who obtains possession of it while in circulation, to make a fraudulent alteration. Sometimes in case of palpable negligence, the result may seem to press hardly on an innocent indorsee, but for the great bulk of business transactions an opposite decision would have been productive of much inconvenience. As the Lord Chancellor pointed out, supposing it to be settled that a bill of exchange must be critically examined by the acceptor, yet it is impossible to say exactly to what points the acceptor ought to direct his attention so as to escape the charge of negligence. In the present case reliance was placed only on the form of the bill and the amount of the stamp, but cases might arise in which the texture or color of the paper or ink might become important. Moreover the conditions under which bills are usually accepted forbid a minute examination of this nature, with the possible

necessity of throwing the bill back on the drawer's hands, a step likely to result in very serious complications. After all the loss is really due not to the negligence, but to the fraud which is perpetrated after the acceptance, and Lord Macnaghten observed that the prevention of crime is better left to the criminal law. The present decision removes much of the doubt to which *Young v. Grote* has given rise, and greatly simplifies the law as to the relation to each other of the parties to a bill of exchange."

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The following item relating to the theft of a portion of a shipment of bullion, and to a suit arising therefrom, is taken from *The Solicitors' Journal* of 29th August:

The bullion case recently decided by Mathew, J., presented a very curious puzzle. The Colonial Bank had occasion to despatch £5,000 in gold to their branch in Kingston, Jamaica. The gold was packed in five separate boxes, and was shipped under a bill of lading to go by one of the boats of the Royal Mail Steam Packet Co. The boxes were fastened with nails at the sides and ends, banded with iron hoops, and sealed at each of the joints. In addition, all five boxes were bound together with iron hoops so as to form one parcel. The parcel was accompanied from the Bank of England to Southampton by the bullion clerk of the Colonial Bank, and was delivered on board ship, where it was stowed in the bullion room. In the bullion room it was secured by an elaborate arrangement of Chubb's locks, the keys being in the custody of the captain. On arriving at Barbadoes the bullion room was twice opened to get out some cases of specie for trans-shipment, but there seems to have been no negligence on these occasions, and otherwise the room was not interfered with. When the ship reached Kingston the bank was notified, and two clerks attended to receive the parcel of gold. It was brought up on deck in the presence of the chief officer, examined carefully by the bank clerks and the chief officer, and declared to be all right. The bill of lading was handed over, and the bullion was taken by the clerks in an open cab to the bank. It was received by the bank manager and placed in a room. After an interval of a few minutes one of the workmen of the bank stripped off the band fastening the boxes together, and the middle box turned out to be empty. On examination it was found that the end nails had been drawn and carefully put back, and that there were chisel marks on one of the ends of the box. A nail-puller was found upon the premises of the bank. The narrative shows that the care taken of the parcel was in theory sufficient to exclude any possibility

of theft, and yet the theft had been committed. The Colonial Bank sought to throw the responsibility on the ship, that is, on the Royal Mail Steam Packet Co.; and if the Court had had really to decide according to probabilities—for certainty was out of the question—the task would probably have been impossible. But in such cases a decision is always rendered possible by placing on one of the parties the burden of proof; and in the present case Mathew, J., held that after the examination by the bank clerks and the handing over of the bill of lading, the burden lay upon the bank. This burden they could not discharge. There was no evidence of negligence against the ship, and judgment accordingly went in favor of the defendants, the Royal Mail Steam Packet Co. The result is to a slight extent supported by the failure of the bank clerks to notice any chisel marks on the box when the package was handed over, and by the presence of the nail puller on the bank premises. But, of course, it is easy enough to notice the marks now, and the nail puller was not a unique article. The Colonial Bank have to bear the loss, but the case does not seem to have gone far to clear up the mystery.

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*The Co-insurance Clause.*—A case arising out of the co-insurance clause in a policy of fire insurance was recently decided by the Court of Appeal for Ontario.* We give following a brief statement of the facts, as it covers an illustration of the precise effect of this condition in an insurance contract, as to which some of our bank managers may not all be fully alive.

The policy, the subject of the suit, was for $6,000 and contained the following provision:

"Seventy-five per cent. co-insurance clause. It is a part of the consideration of this policy, and the basis upon which the rate of premium is fixed, that the insured shall maintain insurance on the property covered by this policy of not less than seventy-five per cent. of the actual cash value thereof, and that failing so to do, the assured shall be a co-insurer to the extent of such deficit, and in that capacity shall bear his, her or their proportion of any loss."

The property insured was valued at $28,732, and the total insurance carried was $10,000. A fire occurred, the loss by

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*Wanless v. Lancashire Ins. Co., *Ont. App. Rep. xxiii.*, 227.

which was appraised at $3,226, and the assured sought to recover the full proportion of this loss, namely, three-fifths, or $1,935, under the policy in question. The company, relying on the co-insurance clause, contended that the assured was co-insurer to the extent of $11,549, the deficiency between the total insurance carried and 75 per cent. of the value of the property, and that the company's share of the entire loss was not in the proportion of 6,000 to 10,000, but of 6,000 to 21,549, or $898 instead of the $1,935 sought to be recovered. The Court found that the contract was intended by both parties to be one of co-insurance, but on another ground gave judgment against the company for the amount sued for.

The co-insurance clause is not part of the form of contract prescribed by the Insurance Act, and it is a requirement of that Act that any omission from or addition to the prescribed form shall be printed in conspicuous type and in ink of different colors, it being expressly declared that no question as to the reasonableness of this requirement shall arise, but that the statutory conditions only shall govern unless the variations are set forth in the above manner. The policy in this case did not conform to the Act in this respect, and the co-insurance clause was therefore held to be of no effect.

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*Note Payable in an Indefinite Time**.—The contractor for a building gave to the plaintiff, a lumber merchant, the following order: "On completion of contract on building now in course of erection, pay to the order of (plaintiff) $400, value received, and charge to account of ———," and the defendant accepted thus: "Accepted payable at Niagara Falls, Ont., as payment for lumber used in my building." After this the defendant paid to the contractor more than $400. The contractor made default before the completion of the building, when more than $400 of the contract price had yet to be earned, and the defendant put an end to the contract and completed the building, the cost being more than the contract price.

It was held by the Court of Appeal, reversing the judg-

*Thomson v. Huggins, *Ont. App. Rep. xxiii.*, 191.

ment of the trial Judge, that the order was not a bill of exchange, because the time for payment was indefinite, nor an equitable assignment, because the fund out of which the payment was to be made was not specified; but was merely a promise to pay upon the completion of the contract by the contractor, or some one on his behalf, and that by reason of his default no liability arose.

The case serves to illustrate section 3 of the Bills of Exchange Act.

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## House of Lords[1]

### Scholfield v. The Earl of Londesborough[2]

The respondent accepted a bill so drawn that the drawer was able subsequently to alter the amount from £500 to £3,500.
*Held*, affirming the decision of the Court of Appeal, that he was liable only for £500 on the bill.
*Young v. Grote*, considered.

This was an appeal against a decision of the Court of Appeal, dismissing by a majority an appeal from a judgment of Mr. Justice Charles at the trial of the cause without a jury.

The facts of the case have already been given in the Journal,[3] but in view of the importance of the case and for convenience, they are repeated following:

The action was to recover £3,500 on a bill of exchange, dated Sept. 8, 1890, and drawn by one Sanders upon and accepted by the respondent. The appellant was the holder of the bill in good faith and for valuable consideration. The bill when accepted by the respondent was for £500 only, and since then and before it was endorsed it had been fraudulently altered into a bill for £3,500. The bill bore a £2 stamp, which was sufficient to cover £4,000. In the left-hand corner of the bill at the time of the acceptance were the figures "500," preceded by the sign "£." Between the "£," however, and the figures was a space sufficiently wide to admit of another figure being interpolated. The body of the bill was in three lines. On the first were the words "Three months after date"; on the second were the words "Pay to me or my order the sum of"; and on the third were the words "Five

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1 Before Lord Halsbury, L. C., Lords Watson, Macnaghten, Morris, Shand and Davey.
2 *The Times Law Reports.*
3 Vol. II, p. 389.

hundred pounds for value received." After the word "of" in the second line there was sufficient space left for the addition of another word; and before the word "five" in the third line there was also a space for the addition of a word without carrying the third line further to the left than the word "pay" in the second. Mr. Justice Charles, in his judgment, stated that Sanders, having obtained the respondent's acceptance to the bill so drawn, inserted the figure "3" between the sign £ and the figures 500, and in the body of the instrument added the words "three thousand" between the word "of" on the second line and the words "five hundred" on the third line, writing the word "three" on the second line and "thousand" on the third line; and in that shape he negotiated it. The respondent, while denying liability, paid £500 into Court. It was contended on behalf of the appellant that the respondent was liable for the whole amount of the fraudulently altered bill upon the ground of estoppel by negligence, as laid down in *Young v. Grote*, the negligence alleged consisting—first, in accepting a bill which would probably be negotiated and pass through many hands in such a form that a fraudulent alteration was rendered easy, whereby subsequent innocent holders might be defrauded; and, secondly, in accepting a bill for £500 upon a paper bearing a stamp large enough to cover £4,000. The learned Judge held that the respondent was not estopped by the above facts from denying that he had accepted a bill for £3,500; that the respondent was liable for £500, the amount of the bill as originally drawn and accepted; and this sum having been paid into Court, he gave judgment for the respondent.

The case was argued some time ago, when judgment was reserved. Their Lordships delivered judgment on 31st July, 1896, dismissing the appeal.

The Lord Chancellor.— . . It is not contended that the bill is not a forgery, and if nothing else appeared it would, of course, be a sufficient defence for the acceptor to plead and prove that he never accepted any such bill as that for which the plaintiff brought his action. But it is contended that the form of the bill was such that the respondent was negligent in accepting it. The bill as originally accepted was so far in ordinary form and perfect that but for some criminal act it was, in its then form, a complete bill of exchange, leaving nothing to be added to or taken from it. It

is said, indeed, that certain spaces were left which gave opportunity for the insertion of the added words and figures, and if by that is meant that the words and figures were not written so closely together as to prevent the insertion of other words and figures, the observation is true. But when it is said that certain spaces were left it is to be remembered that there was nothing unusual or calculated to excite attention in the intervals between the written words and figures by which the bill was made. As a matter of fact, the person who drew the bill intended to draw it in such a way as to enable him to fill up the intervals between the letters and figures in question; but, to my mind, there was nothing suspicious in the appearance of the bill when tendered to the respondent for acceptance, calculated to put him on his guard. I cannot myself understand why the particular form of fraud adopted in this case should have any different operation in giving validity to a forged instrument rather than other forms of fraud to which such instruments are subject. I am not aware of any principle known to the law which should attach such consequences to a written instrument when no such principle is applicable in any other region of jurisprudence where a man's own carelessness has given opportunity for the commission of a crime. A man, for instance, does not lose his right to his property if he has unnecessarily exposed his goods, or allowed his pocket handkerchief to hang out of his pocket, but could recover against a *bona fide* purchaser of any article so lost, notwithstanding the fact that his conduct had to some extent assisted the thief. It is true that stolen goods sold in market overt could be retained by a *bona fide* purchaser for value, notwithstanding they had been previously stolen; but the same result would follow equally whether the owner had been careful or careless in the custody of his goods. The truth is that the whole doctrine, that facilitating forgery, or giving opportunity for forgery, affects the validity of the instrument forged, or so acting that a forgery is a possible result, may be traced in English law, at all events, to the case of *Young v. Grote*, and probably beyond, to certain doctrines of the Roman civil law, which, to my mind, form no part of the law merchant so far as it exists in English jurisprudence. That case has been pushed so far in argument that I think the time has come when it would be desirable to deal with it authoritatively by your Lordships, and to examine how far it ought to be quoted as an authority for anything. It is to be observed that when one looks at the judgments delivered there is an inextricable confusion, not only among the different Judges, but in the judgment of each Judge in turn. Chief Justice Best says:— "If Young, instead of leaving the cheque with a female, had left it with a man of business, he would have guarded against

fraud in the mode of filling it up." So that here the negligence is made to consist, so far as the drawer was concerned, in leaving a cheque, already signed in blank, with a female unacquainted with business, and in accordance with this view the learned Judge goes on to distinguish *Hall v. Fuller*, because, he says, the alteration in that case was not made by the drawer's clerk nor a person improperly trusted by him, but by an entire stranger, who accidentally became possessed of the cheque. Justice Park, again distinguishing *Hall v. Fuller*, says:—"Can anyone say that the cheque signed by Young is not a genuine order? I say it is. The cheques left by him to be filled up by his wife, when filled up by her became his genuine orders." This is an intelligible ground, but the learned Judge immedidiately adds that the arbitrator had found negligence on the part of the drawer, and he says he concurs, and then goes on, "He leaves blank cheques in the hands of his wife, who was ignorant of business, but having left them with her to be filled up as the exigency of the moment might require, they became upon her issuing them his genuine orders." It is manifest that the learned Judge oscillates between the two views. In the perfectly sound view upon which he decides in the defendant's favor he adds the absolutely irrelevant statement that the cheques were left in the hands of the wife, who was ignorant of business. Burrough, J., seems only to deal with the question of negligence, and says the blame is all on one side, while Gaselee, J., points out the circumstances negativing the general authority of the clerk, who was the actual forger, either to fill up cheques or to receive money from the bank; these circumstances, he says, might have strengthened the case. It is not very surprising that a variety of reasons have been given by various Judges for not disagreeing with the case. The arbitrator had decided that there was negligence, and Mr. Justice Park, as is apparent, puts forward, and justly puts forward, the argument that by the act of the drawer's wife that cheque became the husband's genuine order. Shortly put, the argument is that he attached his genuine signature, leaving it to be filled up by his wife, and, as the learned Judge emphatically says, "when filled up by his wife they became his genuine orders." If that is a true view of the case, and that is the learned Judge's reasoning, it could not be doubted but that it was the drawer's genuine order. My Lords, I am not concerned to discuss whether the particular mode in which a written order which was given by the banker to his customers for the purpose of being filled up in the usual way before signing it, may afford ground for saying that the banker was misled by his own customer. If, to use Lord Cranworth's phraseology, the customer by any act of his has induced the banker to act upon the docu-

ment which by his act or neglect of some act usual in the course of dealing between them, it is quite intelligible that he should not be permitted to set up his own act or neglect to the prejudice of the banker whom he has thus misled, or by neglect permitted to be misled. I do not say that had I been the arbitrator I could have agreed that there was in the particular case any such neglect as would have come up to this proposition; but the principle, as Lord Cranworth says, is a familiar one, though it may not have been properly applied to the then state of facts. Your Lordships have acted upon it in *Ireland v. Livingstone*, and in *Vagliano v. The Bank of England*, and the minuteness with which the arbitrator described the printed forms of drafts which were supplied by the bankers to their customers, indicates what was in his mind as to what I will describe as an agreed or assumed course of business between banker and customer, and under those circumstances the finding of negligence which was conclusive upon the Court might have justified it in assuming that the facts brought it up for the proposition which Lord Cranworth suggests; but, unfortunately, I think Chief Justice Best adopted the argument presented to him that Pothier might be quoted as an authority decisive of the case, and I think some of the confusion that has arisen upon the frequent occasions when the case has been quoted has been the misapplication of what Pothier, in fact, has said, and the more serious assumption that what he has said forms any part of the mercantile law of England. Now Pothier in his Treatise on Bills of Exchange, and commenting on Scacchia, a Roman lawyer of the 17th century, gives a variety of illustrations sometimes adopting and sometimes modifying the rules which Scacchia lays down. The noble lord then read at length the text and the commentary, and continued:—My Lords, I do not myself think that either the original by Scacchia or the commentary by Pothier is relevant to the matter in hand. We are not dealing here with either "mandant" or "mandatory," and I do not think that it is part of the commercial law of England, howsoever applied, and before accepting the modified doctrine of Pothier it is well to see what that doctrine is. That learned author, who gives the case of the forger who has added a cipher to the sum written in figures, gives it expressly as an example illustrative of his principle, proceeds to show that it is founded on certain pronouncements of the civil law, and proceeds accordingly to show that a slave sold with a knowledge that he was a thief makes his master responsible to the purchaser for any theft he may commit. M. Bugnet, the very learned commentator, points out in the note quoted that it is impossible to render the drawer responsible for an act to which he is no party, and it would be impossible to particularize all

the precautions that it would be necessary to take. The language used *la faute du tireur* may be satisfied by a great many things which certainly the English law would not recognize as an answer, but which the language of Pothier would obviously include. The careless keeping of a cheque-book, like the careless keeping of the seal in *The Bank of Ireland v. Trustees of Evans' Charities*, might well satisfy the words *faute du tireur*, and I confess I should regard with great apprehension a decision that anything that a jury should regard as the *faute du tireur* should render a forged instrument valid. As M. Bugnet truly says, it is impossible to particularize all the things that might have to be considered—the sort of paper, the ink. There are well-known precautions which, for greater security, some banks take to prevent the forgery of their notes. There is some color which prevents, or, at all events, renders difficult, imitations by photography, and is it to be in each case a question for the jury whether this or that precaution was omitted in drawing a bill, or in accepting it when drawn? It seems to me it would be a very serious proposition to lay down that such questions should be permitted to arise when dealing with such an instrument as a bill of exchange, and other questions would then arise, as, I think, was pointed out in the course of the argument, a minute examination of every bill tendered for acceptance, and a consideration of how far its form might give an opportunity to a forger to forge and escape detection. My Lords, this very case has in almost precisely similar circumstances been already decided in *The Adelphi Bank v. Edwards*, and I regret very much that that case has not been reported. I entirely concur with what Lord Justice Lindley said in that case—that it was wrong to contend that it is negligence to sign a negotiable instrument so that somebody else can tamper with it; and the wider proposition of Chief Justice Bovill in a former case, *Société Générale v. Metropolitan Bank*, that people are not supposed to commit forgery, and that the protection against forgery is not the vigilance of parties excluding the possibility of comitting forgery, but the law of the land. It appears to me that even the modified rule laid down by Pothier, considering the principles on which that learned author himself relies for its acceptance, is not and never has been the law of England. I think this appeal ought to be dismissed with costs.

Lord Watson delivered judgment to the same effect.

The other noble and learned Lords having concurred, the appeal was dismissed with costs.

## Queen's Bench Division, England

### In re Sass. *Ex parte* the National Provincial Bank of England, Limited*

A surety guaranteed the whole of the indebtedness of S. to a bank, but the total amount recoverable from him was not to exceed £300. Subsequently a receiving order was made against S., when his indebtedness to the bank amounted to over £700. The surety paid the £300 to the bank, after which the bank presented to the assignee of their principal debtor a proof for the whole debt.

*Held*, that they were entitled to prove for the whole of their debt, for the guarantee being for the whole amount, the surety could not prove against the estate unless he paid the bank in full.

Appeal by the National Provincial Bank of England, Limited, against the partial rejection of their proof by the official receiver, trustee in the bankruptcy of Sass.

Edwin Sass, the bankrupt, had an account with the bank, which was overdrawn to the extent of about £800 at the date of his being made bankrupt. As security against his overdrafts the bank held a guarantee from a Mr. Stourton, of which the following were the material parts :—

"I, the undersigned, Henry Stourton, hereby guarantee to you the payment of any sum or sums of money which may be now or may hereafter from time to time become due or owing to your bank anywhere from or by Edwin Etty Sass, his executors or administrators (who are all hereinafter referred to as "the said debtor"), either solely or jointly with any other person or persons in partnership or otherwise, upon banking account or upon any discount or other account, or for any other matter or thing whatsoever, including the usual banking charges. This guarantee is to be a security for the whole amount now due or owing to you, or which may hereafter from time to time, until the expiration of the notice hereinafter mentioned, become due or owing to you by the said debtor, but nevertheless the total amount recoverable hereon shall not exceed three hundred pounds, in addition to such further sum for interest and other banking charges and for costs as shall accrue after the date of demand by you for payment. . . . And in case of bankruptcy, liquidation by arrangement, or composition with creditors, any dividends you may receive from the estates of the said debtor or others shall not prejudice your right to recover from me, my executors or administrators, to the full extent of this guarantee, any sum which after the receipt of such dividends may remain owing to you from the debtor."

In 1894 the bank called upon the guarantor to pay the sum guaranteed, and he paid them the £300 and £3 11s. 9d. interest from the date of their demand. The bank placed this amount to the credit of their "Realized Securities Account," and did not treat it as a payment received from the debtor. Upon February 14th, 1895, they proved against the estate of

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the debtor for the full amount owing to them. The trustee rejected their proof to the extent of £303 11s. 9d., the amount received by them from the guarantor.

The bank appealed.

VAUGHAN WILLIAMS, J.—In this case I think the official receiver was wrong in rejecting part of the proof. In my opinion the common law right of the bank here was to sue the debtor for the whole amount due from him, irrespective of the amount paid by the surety, unless that came to twenty shillings in the pound. In bankruptcy the principal creditor has a right to prove for the whole of his debt, unless the surety is a surety for part of the debt only, and has paid that part; then the right of proof *pro tanto* goes to the surety, who is entitled to stand in the shoes of the principal creditor to the extent of the amount which he has paid.

Here all that I have to do is to examine this guarantee, and see whether, as between the bank and the surety, the surety was for the whole or part of the debt, and it is clear that he was surety for the whole, notwithstanding the fact that his liability was limited; and he, having paid part only of the debt, could not be allowed to prove in the bankruptcy. I should have said that this was quite clear upon the first part of this guarantee; but if there were any doubt, the last clause amply suffices, either by itself or read with the first part, to show that, as between the bank and the surety, the bargain was that the bank should have the benefit of all sums paid as dividends or otherwise; and it would be wrong to hold that the surety, as against the bank, could have any rights by reason of his guarantee, unless he paid them the full amount owing by the debtor. The proof must be admitted for the full amount.

Appeal allowed with costs.

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## CHANCERY DIVISION, ENGLAND

### *Re* The Lands Securities Co., Ltd.*

Expressions in a document addressed to commercial men should be construed in the sense which ordinary men of business would understand them. Accordingly the words "discount at the rate of 4 per cent." in a scheme of arrangement and compromise with creditors were held to mean discount in the popular sense, viz.: a rebate of interest on the amounts.

Under an agreement between the debenture holders and the creditors of a company, a call of £25 per share was made, payable in instalments of £2 at intervals spread over four years,

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with the option to pay up the total calls or any portion thereof under discount at the rate of 4 per cent. per annum. The liquidator calculated the amount payable by a shareholder in the case disputed at such a sum as with interest at 4 per cent. would amount to the total amount of the call of £25 per share. The shareholder paid the amount under protest, but claimed that it was £650 more than he should have to pay, maintaining that he should be allowed a rebate of four per cent. on the payments made before maturity.

The case was tried before Vaughan Williams, J., who held that the agreement meant true discount and not discount in the popular sense. This decision has now been reversed by the Court of Appeal.

LINDLEY, L.J. (after discussing the facts): Now, it appears that this expression "under discount at the rate of four per cent." is open to some little ambiguity. It may mean either one thing or the other; and the question is, What would any ordinary business man understand by this scheme? I apprehend that whatever would be the meaning put upon this expression by ordinary business people is the meaning to be put upon it. Now, it strikes me, I confess, that any ordinary business man—any person accustomed to deal with companies or anything of that kind—would understand the expression "under discount at 4 per cent." in the ordinary commercial sense; that is to say, "I shall pay you the amount less 4 per cent. interest," and his mind would not run on the present value. On the other hand, I agree that an actuary of an insurance company wou d adopt the calculation which the liquidator has adopted here; but when you look at the form of this clause 3, and the rate of 4 per cent., and when you bear in mind that 4 per cent. cannot easily be made, at all events by investment, it strikes me that a person reading this would be led off the consideration of the present value, and would be led on to the ordinary business meaning of the phrase. Vaughan Williams, J., seems to admit that; but then he says he thinks that mode of calculation would produce an unfair inequality between those who can pay and avail themselves of this option, and those who cannot. But it is obvious that this option was held out to the shareholders as an inducement to them to pay earlier. The liquidator's position is this. He had debentures bearing interest, on an average, at 4 per cent., and I do not doubt that it would be better for the debenture-holders that this discount should be calculated on the present value theory rather than on the rebate theory. But we must come back to the question, What would an ordinary

person understand by these words? I cannot think that the supposed inequality is a sufficient justification for departing from the meaning which anybody would put upon them. I must say I think that the rebate principle is the correct one. I think anybody reading this document, and coming to this arrangement upon these terms, would so understand it; and I think that is the true construction of the document and the one which we ought to abide by. I think, therefore, that Vaughan Williams, J., was wrong in this matter, and that his first impression was the right one.

Lopes and Kay, L.JJ., delivered judgments to the same effect.

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## Chancery Division, England

### Edwards v. Walters*

A promissory note payable to a specified person without the words "order" or "bearer" is a negotiable instrument within the meaning of the Bills of Exchange Act. Such a note when made payable "on demand" is "at maturity" as soon as it is made, and therefore, under secs. 62 and 89 of the Act, if the holder of the note desire to renounce all rights in it the renunciation must be in writing, unless the note is delivered to the acceptor in person, though possibly delivery to the acceptor's legal personal representatives will suffice.

Accordingly, where the holder of a note made a parol renunciation of all rights in it and delivered the note to one of the devisees of the real estate of the acceptor, who by his will had charged his real estate with payment of his debts, the renunciation was held to be insufficient.

The facts in this case are sufficiently indicated above, and the finding of the Court of Appeal on the point chiefly of interest to bankers is that a note payable "on demand" is "at maturity" as soon as it is made. The plaintiffs were executors of the person to whom the note was payable, and the defendants were devisees of his real real estate which had been charged with the payment of the testator's debts, and therefore the persons on whom the obligation to pay the note would rest unless they should allow it to come against the real estate.

The Court held that while the gift of the note to one of the devisees was strong evidence of the intention to forgive the debt, the note unfortunately was not endorsed by the payee nor was there any consideration to support the agreement not to sue. There was in fact nothing except an intention not carried out, and such an incomplete transaction did not amount to a gift of the debt nor to any equitable release of it.

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*The Weekly Reporter.

## Court of Appeal, Ontario

### McPhillips v. London Mutual Fire Insurance Co.*

The interest in a policy of insurance issued partly upon a building and partly upon the chattels contained therein, was assigned by the insured to the mortgagee of the real property (who at the time had no interest in or claim upon the chattels), by endorsement on the policy, without the consent of the company being obtained to the assignment. The policy did not contain the usual provision that any assignment without the company's consent should avoid the contract of insurance.

*Held*, that the assignee of the policy could recover from the company the loss upon the chattels as well as upon the building.

The defendants on 27th May, 1893, issued a policy of insurance to one McNulty, for $1,200, $600 on his dwelling and $600 on the contents thereof. The land and buildings were at this time mortgaged to the plaintiff for $3,000, and the loss, if any, under the policy as issued, was to be payable to the plaintiff, as his interest might appear. On 29th July following McNulty executed under seal the following assignment of the policy, endorsed thereon :

> "For value received I hereby transfer, assign and set over unto P. McPhillips, Esq., and I assign all my right, title and interest in this policy of insurance, and all benefit and advantage to be derived from the same, in consideration of a certain loan from the said McPhillips to me by way of mortgage security and one dollar."

The policy did not include the usual provision that a transfer without the company's consent should avoid the policy, nor was the company's consent to the above transfer obtained. Subsequently McNulty gave the plaintiff a mortgage upon the chattels. A fire occurred in January, 1895, and there was a total loss on the buildings and a partial loss on the contents.

The company resisted the plaintiff's claim for payment upon the ground that the assignment without their consent rendered the policy void, and that as to the chattels the plaintiff could in no event recover, as at the date of the assignment he had no interest in them.

The action was tried at London in January, 1896, before Meredith, C.J., who gave judgment for the plaintiff in respect of the loss on the buildings for $600, and for $140 in respect of the loss on chattels.

The defendants appealed as to the judgment in so far as it related to the loss on chattels. The appeal was argued before

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Hagarty, C.J.O., Burton, Osler and Maclennan, JJ.A., and was dismissed. We quote from the judgments as follows :

BURTON, J.A.: I was at first inclined to think that the formal transfer of the policy carried the case no further, and that the claim was confined to the sum recoverable in respect of the mortgage on the buildings, but a further examination has convinced me that whatever is recoverable under the policy is assigned, the latter portion of the assignment being designed to show the consideration for which it was made.

When, as is sometimes to be found in the books, a fire policy is said to be unassignable even in equity without the consent of the insurers, it must be taken to mean that the transfer which is prohibited is that of the entire ownership. The assignment in this case did not profess to vary in any respect the contract of insurance. It was, as has been held in several American cases, a mere appointment in favor of McPhillips to receive, and a direction to the insurers to pay to him, the loss when, if at all, it should occur.

The interest of McNulty in the property continued as before, but it was an appropriation beforehand to the payment of the plaintiff's debt of the money secured by the policy, should that loss ever become payable. I can see no valid objection to such an assignment. If instead of this formal assignment it had taken the shape of an order on the insurers to this effect—in the event of loss, pay the amount of such loss to McPhillips—what objection could there be to such an order? It simply converts one of the parties into a trustee for the other. It is only a contingent order or assignment of what may become due under the policy.

OSLER, J.A.: The defendants compare this to the case where the insured has sold the property out and out, and has attempted by assignment or transfer, without the consent of the company, to attach or continue the risk to the goods in the hands of the new owner. That is what is referred to in the passage cited from *Griffey v. New York Central Insurance Co.*, 100 N. Y. 417, and in Bunyon's Law of Fire Insurance, 4th ed., pp. 14, 256; but there is not the least analogy between the two cases.

Here McNulty remained the owner of the goods insured. All he did was to assign his interest in the policy and the benefit and advantage he might derive therefrom in case of loss to the plaintiff as collateral security.

It was no more than an assignment of a chose in action to which no consent by the insurers was necessary. McNulty remained the insured, but he provided thereby that the loss, if it occurred, should be payable to some one else, who was in fact his own creditor. No case in our law was cited which forbids

that to be done. The assent of the insurers is essential only where the policy is assigned to accompany a sale of the property insured, and a new contract of insurance is intended to arise between the purchaser and the insurance company. Subject to the chattel mortgage, McNulty was at the time of the fire both owner and insured. The assignment having been by way of security, this action ought properly to have been brought in his name, but as he has refused to become party plaintiff it is properly maintained in the name of the plaintiff, as assignee.

I feel a satisfaction in saying that as against the objections taken the judgment should be affirmed.

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

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## Court of Appeal, Ontario

### Davidson v. Fraser[1]

Endorsing and giving to a creditor the unaccepted cheque of a third person in the debtor's favor is not protected as a payment of money to the creditor by the debtor within the meaning of section 3 of R. S. O., ch. 124.[2]

This was an appeal by the plaintiffs from the judgment of the Common Pleas Division.

The plaintiffs, who were simple contract creditors of the defendant W. A. Fraser, brought the action on behalf of themselves and all his other creditors to set aside three conveyances of land made by him to his wife, and to have her declared trustee for him of certain insurance moneys on his stock-in-trade received by her. It is unnecessary to set out the facts in detail as to the conveyances, as the Court came to the conclusion on the evidence, that Fraser was solvent when the conveyances were made. The fire occurred in July, 1892. He was insolvent at the time, and his wife had a claim against him for moneys advanced. He received in Sarnia from the insurance company in Montreal two unaccepted cheques drawn on banks in Montreal, payable to his order, for $1,636, the amount of the loss, and endorsed these cheques in blank, and either handed them to his wife, or to mortgagees of her land, the amount being applied in reduction of the mortgage debt.

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[1] *Ontario Appeal Reports.*

[2] *An Act respecting Assignments and Preferences by Insolvent Persons.*

The action was tried at Toronto, on the 18th of September, 1895, before Meredith, J., who gave judgment in favor of the plaintiffs in respect of one conveyance and in other respects dismissed the action.

Both parties appealed to the Common Pleas Division and the defendants' appeal was allowed, the action being dismissed.

The plaintiffs then appealed to this Court from the judgment of the Common Pleas Division, so far as it affected the question of the insurance money. The appeal was argued before Hagarty, C.J.O., Burton, Osler and Maclennan, JJ.A., on the 16th and 17th of March, 1896, and allowed. We quote from the judgment as follows:

HAGARTY, C.J.O.:—As far as I can gather from the meagre and rather uncertain statements in the evidence, the insurance company in Montreal drew these cheques on their Montreal banks to Fraser's (the insured) order, and sent them to him at Sarnia soon after the fire; that he indorsed them to his wife and she took them to the Lambton Loan Company, and handed them in there to be applied for or on account of her mortgage to them. She became her husband's creditor by raising money to help him on the security of property which she had acquired from him some time before when he was in good circumstances and in a position to make a voluntary conveyance.

It appears that the cheques were ultimately duly paid to the legal holders thereof, whoever they may have been.

The question is, whether under the statute this was "a payment of money to a creditor" by the insolvent.

I feel great difficulty in adopting the view of the Court below in favor of holding that it is. The Divisional Court adopted the judgment of the Queen's Bench Division in the case of *Armstrong v. Hemstreet*, 22 O.R. 336.

The facts there differ from those before us, as expressed in the head note: "The handing by a debtor to his creditor of the cheque of a third person on a bank in the place where the creditor lives, the maker of the cheque having funds there to meet it, is 'a payment of money to a creditor' within the Act."

The underwriters' cheques on the bank in Montreal, were indorsed by the debtor to his creditor and wife. She gets them accepted by the loan company as so much paid on her mortgage held by them. It is clear that if the debtor had merely the note of the underwriters on demand, he could not transfer that to his creditor; or if he received their authority to draw on them at sight or otherwise for the insurance money, I do not think he could indorse the draft (payable to his order) to the

creditor and call it a payment of money under the statute. Even his cheque drawn on the underwriters' bank by arrangement with them for the amount of insurance moneys in favor of the creditor, though ultimately paid by the then holder in Montreal, would be at law a bill of exchange as declared by section 72 of the Bills of Exchange Act of 1890, declaratory of the law.

Section 53 also declares the law to be that a bill of itself does not operate as an assignment of funds in the hands of the drawee.

Our Act avoids all transfers by an insolvent of bills, bonds, notes, securities, etc. The word "cheque" is not mentioned. Nor in the exempting clause is any wider meaning given to the words "any payment of money to a creditor" than there tersely expressed.

It would seem to me to be more consistent with a proper interpretation of the Act to avoid preferential dealings by an insolvent, to hold that cheques such as those in the present case fell under the words "bills or other securities for money," than to widen the protection under the words "payment of money."

I think we must take the word "money" in its ordinary sense. There are many authorities as to its construction in wills where it is generally strictly confined to its primary meaning: see Theobald's Law of Wills, 4th ed , p. 158 *et seq.*, though capable of expansion by the other terms or disposition of the will.

Here it appears to me used by the legislature in a limited sense. What this insolvent handed over to his creditor was certainly not money in any meaning of the word—nothing used to represent cash, or as a current substitute for cash or money so called; and I think we may feel well satisfied that the framers of an Act levelled against preferences could not have intended to protect the transaction before us as a payment of money.

It does not weigh with me that the debtor might have possibly brought the case nearer the literal words of the Act by discounting these Montreal cheques with a banker, and then handing the cash proceeds to his wife. It is sufficient to say that such a course was not taken.

MACLENNAN, J.A.:—The cheque of a third person is a chattel, it is a bill, it is a security, the property of the debtor. If it is not paid it is a debt due to the payee from the drawer, it is a chattel, a bill, a security of the payee.

Therefore, I think a transfer of a cheque of a third person is not a payment of money. It is a transfer of a security, which does not become payment until presented and honored by the bank. The money in the bank in that case, and until the time of payment, is not the debtor's money, and never becomes his if he transfers the cheque.

I think, therefore, the transfer of these cheques to the mortgagees of the wife, even although it may have been with her knowledge and consent, was a transfer forbidden by the Act, and void against the husband's creditors. But the cheques have been paid, and the further question is whether the proceeds can be followed, and if so, how. I think the application of the cheques towards payment of a mortgage on the wife's land is within the principle of *Jackson v. Bowman*, 14 Gr. 156. In that case a debtor laid out money when insolvent in buildings and improvements on land belonging to his wife, and it was held that the creditor was entitled to a charge on the wife's land to the extent of the expenditure. I see no difference in principle between expenditure in buildings and expenditure in or towards paying off a mortgage, and the plaintiffs are, therefore, in my opinion, entitled to a charge upon the lands of the wife in the present case to the extent to which it was relieved from the mortgage by the insurance cheques.

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## Queen's Bench Division, Ontario

### Beattie v. Dinnick*

A promise made by a third person to a creditor to pay or to see paid the debt due to him by his debtor, whether such promise is absolute or conditional, is a promise to answer for the debt of another, and is within the 4th section of the Statute of Frauds.

The plaintiff was the holder of a promissory note of an incorporated company of which the defendant was president, and was pressing for payment when the defendant verbally promised to see him paid if he would forbear to sue and would renew :—

*Held*, that this was not a promise of indemnity, but of guarantee, and therefore required by section 4 of the Statute of Frauds to be in writing.

The plaintiff held a note of a company of which the defendant was president, which was unpaid at maturity. When the plaintiff pressed for payment, the defendant, in consideration of the plaintiff refraining from suing the note and renewing it again, promised that he would see the plaintiff paid. The renewal note went to default, and the plaintiff brought action to recover from the defendant on his undertaking.

The arrangement between the parties was stated by a witness in the following terms:

"Mr. Beattie came down and threatened he would sue the company for his account; it had gone long enough; he could not

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let it go any longer, he would sue it. Mr. Dinnick said not to sue the company; he would see he was paid every cent; to take another note and help the company out of the difficulty. Mr. Beattie said he would do it if he would give him his word he would be paid it, and he said he would. Mr. Beattie turned around to me and said, 'you are a witness to that,' and I said 'yes.'"

At the trial Falconbridge, J., delivered judgment as follows:

There is a recent case which goes a long way to destroy the application of the Statute of Frauds to the present case. This is a case in which there can only be one finding on the question of fact—because Mr. Beattie swears—and is corroborated by Mr. Roberts—to a promise in some form of words; therefore, on the evidence which must govern a jury and govern me, I find the issue of fact in favor of the plaintiff.

The only remaining question is as to the effect of the Statute of Frauds, which says no action can be brought against a party on a promise to answer for the debt or default or miscarriage of another, unless the representation or assurance be made in writing, signed by the party to be charged therewith. The effect of that statute has been very much impaired by the case which I have mentioned. I find here that this is an independent promise; it is not a guarantee. The debt had been already incurred, and the plaintiff forbore to sue the company in consideration of the defendant's promise. I give judgment for plaintiff, both on the note and on the account.

This decision was reversed in the Divisional Court, Armour, C.J., and Street, J. The judgment of the Court was delivered by Street, J.:

The question as to whether the promise was one which can be supported as a binding one, notwithstanding the 4th section of the Statute of Frauds, was treated before us by counsel for the plaintiff as depending simply upon the question of its form, that is to say, upon whether it was a conditional promise to pay only in case the company should not do so, in which event it was admitted the statute would apply; or an absolute promise to pay without any condition at all, in which event it was assumed the statute would not apply. The judgment appears, as I understand it, to proceed upon the same view of the law, and the Judge, finding as a fact that the promise was an absolute and not a conditional one, proceeded to give judgment against the defendant, treating the case as being without the statute.

With great respect, I am unable to agree that this is the result of the authorities or the meaning of the fourth section of the Statute of Frauds as interpreted by them. The statute requires that a special promise to answer for the debt, etc., of

another shall be in writing: a promise made by a third party to a creditor to pay or to see paid the debt due him by his debtor, is a promise to answer the debt of the debtor, whether the promise is conditional or unconditional; and I am unable to find any case in which the contrary has been held.

The judgment then fully discusses *Guild v. Conrad* (2 Q.B. 885), the case chiefly relied on by the plaintiff to establish the contrary rule, *i.e.*, that an *unconditional* promise to pay the debt of another was not affected by the statute, while a promise to pay only upon default of the original debtor was within it: and holds that the only question considered in that case was whether the promise was a promise to pay if the debtor should not do so—in which event the statute would apply, or a promise to *indemnify* the plaintiff against his acceptance of the bill—in which event the promise would not be within the statute. It then proceeds:

The distinction between a promise to pay a debt already due a creditor, or one to be created upon the faith of the promise on the one hand; and a promise that if the promisee will incur a liability, the promissor will indemnify him against it on the other hand, is not at all a shadowy one, and when the terms of the statute and the interpretation placed upon it by undisputed cases are considered, the reasons for holding the latter class of promises to be unaffected by it, while holding the former class to be within it, seem to be unanswerable.

The promise intended by the statute is therefore a promise made to a creditor or intending creditor in that capacity. But where the promise is made to one who is not a creditor, that if he will incur a liability to some third person, the promissor will indemnify him against it, it is not made to him as a creditor at all, but rather in the character which he is asked to assume of debtor to the third person.

As the present case clearly falls within the first of these classes and entirely outside the second of them; in other words, because the defendant's promise was a guarantee and not an indemnity, it remains unaffected by *Guild & Co. v. Conrad.*

A verbal promise made to the creditor to pay the debt of another does not, however, in all cases come within the statute. In order that the statute shall be applicable it is requisite, first, that the original party shall remain liable, and, second, that there shall be no liability on the part of the promissor excepting that which is created by the promise relied on. Tried by this test the present case came within the statute.

The judgment then deals with the principles upon which the requirements mentioned are based :

The ground for the requirement, that in order to bring a promise within the statute, there must be an absence of any antecedent liability on the part of the promissor is this: the statute requires that a special promise to answer for the debt, etc., of *another* shall be in writing; it does not require that a promise to answer for a debt which is not the debt of another, but is partly the debt of the promissor, shall be in writing.

The ground for the requirement, that in order to bring a promise within the statute, there must be an absence of antecedent liability on the part of the promissor's property, is not so satisfactory, but the rule seems clearly established. It is thus stated by Cockburn, C.J., in *Fitzgerald v. Dressler*, 7 C.B.N.S. 374, at p. 392: "If there be something more than a mere undertaking to pay the debt of another, as, where the property in consideration of the giving up of which the party enters into the undertaking is in point of fact his own, or is property in which he has some interest, the case is not within the provision of the statue, which was intended to apply to the case of an undertaking to answer for the debt, default or miscarriage of another, where the person making the promise has himself no interest in the property which is the subject of the undertaking.

The Court found that there was no benefit or advantage accruing immediately and directly to the defendant which would take the case beyond the operation of the statute, and therefore that the promise not having been in writing was of no effect.

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## Divisional Court, H.C.J. Ontario

### Kinnard v. Tewsley et al.*

Where a promissory note commencing "I promise to pay," and signed by two makers, was afterwards discounted by the plaintiff for the holder thereof, the money being paid to him on his agreeing to become responsible for the payment of the note, he signing his name under those of the makers :

*Held*, per Boyd, C., and Ferguson, J., that the liability of the person so signing was that of surety, and that the validity of the note was not affected by the manner in which it was signed.

*Per* Meredith, J.: He was liable as maker of a new note.

This was an action to recover $254 upon a note made by John and Richard Tewsley, payable to bearer and delivered for value to Henry W. Dodge, one of the defendants. Dodge discounted the note with the plaintiff, agreeing with the latter,

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however, to become responsible for its payment. As Dodge could not write, the plaintiff wrote his name on the note underneath the signatures of the makers and Dodge attached his mark. The latter stated that he had been asked to "endorse" the note, but on cross-examination said that he had put his name to the note for the purpose of getting the money on it, and that neither the words "maker, guarantor nor endorser" were used.

Upon suit being instituted he took objection to the plaintiff's recovery, on the following grounds:

1. That the note was made, issued and completed prior to the negotiation with the plaintiff. 2. That the defendant Dodge's name was signed in the capacity or character of an endorser, and that no proof was given of presentment or notice of dishonor, which an endorser would be entitled to in order to hold him responsible. 3. That if the defendant Dodge signed in the character of maker, the note would be void, on the ground of this being a material alteration of the note.

The case was tried before the Third Division Court of Haldimand, and judgment rendered in favor of the plaintiff. An appeal from this judgment was argued before a Divisional Court composed of Boyd, C., Ferguson and Meredith, JJ., and dismissed.

Boyd, C.: The fair result of the evidence is, that the note was signed by Dodge as surety or guarantor on condition of getting the note discounted by the plaintiff, that is, after the making of the note, there was a new transaction for value by which Dodge became liable, not as endorser, but as guarantor of the note. There is no English authority to show that the addition of a signature by one as surety to a note previously signed by the makers, vitiates the instrument as being a material alteration.

Meredith, J.: Any material alteration of a note or bill after it has been issued, without the assent of all parties liable on it, avoids it except as against a person who made or assented to the alteration.

Looking upon this defendant as a maker of the note, it is not to be avoided as against him, because he made it. He cannot take advantage of his own wrong. The note is drawn in as appropiate words for one maker as for several—"I promise to pay;" and so this case is different from that of the *Ellesmere Brewing Co. v. Cooper.*

I cannot look upon the defendant as a mere endorser. He did not so sign. He signed as a maker, and the witness signed as if a witness to the signatures of all the makers, including

him, alike. It is, of course open to the parties to show that, as between them, one was a surety only for the other, and the holder would be affected by notice of the fact; but that does not make the surety any less a maker of the note; if sued upon the writing, he would be sued as maker or endorser only. It seems to me, in the facts of this case, this defendant can occupy but one of two positions, he is a maker or an endorser of the note. As a party to the note, assuming liability for it, he must occupy one or the other position.

I think we must treat this defendant as the maker of a valid note, there being no Stamp Act in force here preventing effect being given to it as a new note.

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### Superior Court, Quebec

### Légaré v. Arcaud

Presentment of a cheque for payment—Diligence. Effect of the holder accepting the bank's certification of a cheque.

The defendant, a money broker, warned the plaintiff, one of his customers, that in consequence of a run upon the bank whereat the latter kept his account, it might suspend payment, and that it would be prudent for him to withdraw his deposit without delay, whereupon the plaintiff handed the defendant his cheque for the amount and took the defendant's *bon* in return. The cheque was immediately sent to the bank for acceptance and was duly certified, but was only presented for payment on the following day. In the meantime the bank suspended. The defendant tendered the return of the cheque to the plaintiff, which the latter refused to accept, and brought action to recover on the *bon*.

The Court held that the particular facts of the case required from the defendant special vigilance and celerity, and that the cheque had not, under the circumstances, been presented for payment within "a reasonable time" within the meaning of section 73 of the Bills of Exchange Act, 1890. When the defendant procured the bank's acceptance to the cheque the plaintiff *ipso facto* ceased to be a creditor of the bank for the money against which the said cheque was drawn, and the defendant as holder took his place as such creditor, and as between plaintiff and defendant the cheque had thereby accomplished the purpose for which it was drawn, and the plaintiff had no further power over it or liability in connection therewith, and such cheque could not be set up against his right to recover from the defendant on the *bon*.

## UNREVISED TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

| *Year ending 30th June—* | 1895 | | 1896 | |
|---|---|---|---|---|
| Free | $42,432 | | $38,112 | |
| Dutiable | 58,549 | | 67,250 | |
| | $100,981 | | $105,362 | |
| Bullion and Coin | 4,575 | $105,556 | 5,225 | $110,587 |

EXPORTS

| *Year ending 30th June—* | | | | |
|---|---|---|---|---|
| Products of the mine | $ 6,992 | | $ 8,067 | |
| " Fisheries | 10,798 | | 11,170 | |
| " Forest | 23,977 | | 27,080 | |
| Animals and their produce | 34,712 | | 36,588 | |
| Agricultural produce | 15,671 | | 14,105 | |
| Manufactures | 7,639 | | 9,206 | |
| Miscellaneous | 153 | | 190 | |
| | $99,946 | | $106,409 | |
| Coin and Bullion | 4,276 | $104,222 | 4,695 | $118,140 |

SUMMARY (in dollars)

| *For the year ending June—* | 1895 | 1896 |
|---|---|---|
| Total imports other than bullion and coin | $100,981,415 | $105,362,000 |
| Total exports other than bullion and coin | 99,946,428 | 106,409,000 |
| Excess | (imp)$1,034,987 | (Exp)$1,047,000 |
| Net imports of bullion and coin | 299,184 | 530,000 |

IMPORTS

| *Month of July—* | | | | |
|---|---|---|---|---|
| Free | $ 3,234 | | $ 3,621 | |
| Dutiable | 5,084 | | 5,375 | |
| | $ 8,318 | | $ 8,996 | |
| Bullion and Coin | 235 | $ 8,554 | 1,273 | $10,270 |

IMPORTS (*Cont'd*)

| *Month of August—* | 1895 | | 1896 | |
|---|---|---|---|---|
| Free | $ 3,345 | | $ 3,633 | |
| Dutiable | 6,067 | | 6,374 | |
| | $9,412 | | $10,007 | |
| Coin and Bullion | 1,616 | $11,028 | 1,077 | $11,084 |
| Total for two months | | $19,582 | | $ 21,354 |

EXPORTS

| *Month of July—* | | | | |
|---|---|---|---|---|
| Products of the mine | $ 762 | | $ 747 | |
| " Fisheries | 1,387 | | 945 | |
| " Forest | 3,915 | | 4,327 | |
| Animals and their produce | 4,245 | | 3,301 | |
| Agricultural produce | 430 | | 875 | |
| Manufactures | 777 | | 731 | |
| Miscellaneous | 0 | | 12 | |
| | $11,548 | | $10,941 | |
| Bullion and Coin | 75 | $11,623 | 860 | $11,801 |
| *Month of August—* | | | | |
| Products of the mine | $ 595 | | $ 823 | |
| " Fisheries | 969 | | 709 | |
| " Forest | 3,647 | | 3,916 | |
| Animals and their produce | 5,316 | | 4,072 | |
| Agricultural produce | 512 | | 769 | |
| Manufactures | 700 | | 798 | |
| Miscellaneous | 24 | | 16 | |
| | $11,765 | | $11,105 | |
| Bullion and Coin | 64 | $11,829 | 1,185 | $12,290 |
| Total for two months | | $23,452 | | $24,091 |

SUMMARY (in dollars)

| *For two months, July and August.* | 1895 | 1896 |
|---|---|---|
| Total imports other than bullion and coin | $17,741,307 | $19,003,000 |
| Total exports " " " | 23 314,201 | 22,046,000 |
| Excess of exports | 5,572,894 | 3,043,000 |
| Net imports of bullion and coin | 1,712,011 | 305,000 |

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

(000 omitted)

| | Montreal | | *Toronto | | Halifax | | Hamilton | | Winnipeg | | St. John |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1894-5 | 1895-6 | 1894-5 | 1895-6 | 1894-5 | 1895-6 | 1894-5 | 1895-6 | 1894-5 | 1895-6 | 1896 |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| September | 46,855 | 45,251 | 20,078 | 22,543 | 5,062 | 4,694 | 2,686 | 2,706 | 3,975 | 4,008 | |
| October .. | 55,730 | 53,298 | 25,750 | 28,437 | 5,452 | 5,613 | 3,155 | 3,402 | 6,786 | 7,911 | |
| November | 51,838 | 54,397 | 25,214 | 28,633 | 5,021 | 5,444 | 3,092 | 3,363 | 6,607 | 8,503 | |
| December | 47,351 | 54,138 | 25,700 | 33,728 | 4,874 | 5,462 | 2,834 | 3,224 | 5,199 | 6,641 | |
| January .. | 48,376 | 46,663 | 27,961 | 33,095 | 4,997 | 5,705 | 2,831 | 3,227 | 4,067 | 4,977 | |
| February | 37,793 | 38,123 | 20,493 | 28,544 | 4,118 | 4,709 | 2,461 | 2,686 | 2,721 | 4,052 | |
| March ... | 42,464 | 36,643 | 22,332 | 26,087 | 4,174 | 4,357 | 2,462 | 2,516 | 2,929 | 4,286 | |
| April .... | 41,905 | 37,589 | 21,960 | 26,111 | 4,413 | 4,790 | 2,610 | 2,729 | 3,093 | 4,032 | 2,413 |
| May .... | 51,969 | 44,324 | 25,698 | 27,796 | 4,964 | 5,064 | 2,704 | 2,733 | 4,156 | 4,246 | 2,418 |
| June .... | 52,353 | 43,129 | 26,772 | 28,384 | 5,090 | 4,550 | 2,913 | 2,775 | 3,865 | 4,094 | 2,879 |
| July...... | 51,902 | 44,796 | 26,838 | 30,394 | 5,739 | 5,467 | 2,972 | 2,847 | 1,038 | 4'961 | 2,602 |
| August .. | 49,314 | 41,574 | 23,235 | 25,128 | 6,264 | 5,556 | 2,726 | 2,367 | 3,937 | 4,646 | |
| | 577,850 | 539,925 | 292,031 | 338,980 | 60,168 | 61,411 | 33,446 | 32,575 | 51,373 | 62,357 | 10,312 |

*NOTE.—These totals prior to November, 1895, do not include the Bank of Toronto.

STATEMENT OF BANKS acting under Dominion Government charter for the months of June, July and August, 1896, and comparison with August, 1895:

LIABILITIES

| | 30th June, 1896 | 31st July, 1896 | 31st Aug., 1896 | 31st Aug., 1895 |
|---|---|---|---|---|
| Capital authorized | $ 73,458,685 | $ 73,458,685 | $ 73,458,685 | $ 73,458,685 |
| Capital paid up | 62,198,413 | 62,204,793 | 62,220,759 | 61,704,548 |
| Reserve Fund | 26,348,799 | 26,348,799 | 26,348,799 | 27,083,799 |
| Notes in circulation | $ 30,336,844 | $ 29,575,380 | $ 31,509,154 | $ 30,737,622 |
| Dominion and Provincial Government deposits | 5,845,834 | 8,081,598 | 8,466,728 | 8,395,441 |
| Public deposits on demand | 62,934,531 | 64,948,908 | 65,264,335 | 67,386,516 |
| Public deposits after notice | 120,835,461 | 122,100,074 | 123,151,850 | 115,716,520 |
| Bank loans or deposits from other banks secured | 5,000 | 12,232 | 5,000 | 1,051,722 |
| Bank loans or deposits from other banks unsecured | 2,494,116 | 2,833,167 | 3,234,144 | 2,780,631 |
| Due other banks in Canada in daily exchanges | 185,103 | 107,956 | 83,411 | 144,655 |
| Due other banks in foreign countries | 178,877 | 153,221 | 200,157 | 206,473 |
| Due other banks in Great Britain | 5,098,596 | 3,317,168 | 2,166,101 | 4,027,049 |
| Other liabilities | 423,786 | 359,316 | 310,143 | 294,362 |
| Total liabilities | $228,338,219 | $231,489,104 | $234,391,104 | $230,741,064 |

## ASSETS

| | | | | |
|---|---|---|---|---|
| Specie | $ 7,857,220 | $ 8,263,632 | $ 8,329,295 | $ 7,375,298 |
| Dominion notes | 14,008,577 | 14 297,764 | 15.419,799 | 15,180,345 |
| Deposits to secure note circulation | 1,841,270 | 1 846,160 | 1,846.340 | 1,814,6[illegible]4 |
| Notes and cheques of other banks | 7.733,952 | 6,383,296 | 7,280,493 | 6,135,940 |
| Loans to other banks secured | 5,000 | ...... | ...... | 464,760 |
| Deposits made with other banks | 3,303,727 | 3,566,556 | 3,950,753 | 3,391,456 |
| Due from other banks in Canada in daily exchanges | 200,110 | 143 452 | 135,619 | 173,182 |
| Due from other banks in foreign countries | 18,484,973 | 16,713,630 | 15,299 453 | 26,565,856 |
| Due from other banks in Great Britain | 3,599,625 | 8.594,690 | 10,747,400 | 6,339,165 |
| Dominion Government debentures or stock | 3,035,151 | 3.036,532 | 3,037,540 | 2,687,044 |
| Public municipal and railway securities | 20,312,596 | 20,892,207 | 21,215,102 | 18,617,571 |
| Call loans on bonds and stocks | 13,024,606 | 12,652,647 | 13,218,553 | 16,766,317 |
| Current loans and discounts | 208,014,178 | 208,759,940 | 207,410,954 | 197,526,285 |
| Loans to Dominion and Provincial Governments | 702,646 | 279,058 | 462,345 | 445,922 |
| Overdue debts | 3,468,517 | 3,472,060 | 3,661,064 | 4,324,234 |
| Real estate | 2,081.519 | 2,045,390 | 2,072,476 | 1,134 046 |
| Mortgages on real estate sold | 566 407 | 588,655 | 571,576 | 621,721 |
| Bank premises | 5,614,797 | 5,619,142 | 5,627,639 | 5,636,046 |
| Other assets | 2,267,644 | 2,427,622 | 2,448,863 | 2,241,162 |
| Total assets | $316,122,706 | $319,582,621 | $322,735,463 | $317,441,375 |

| | | | | |
|---|---|---|---|---|
| Average amount of specie held during the month | $ 8,025,058 | $ 8,085,731 | $ 8,501,135 | $ 7,499,086 |
| Average Dominion notes held during the month | 13,619,599 | 14,369,939 | 15,037,447 | 12,229,776 |
| Loans to directors or their firms | 7,522,302 | 7,242,578 | 7,106,713 | 7,687,676 |
| Greatest amount of notes in circulation during month | 30,964,363 | 31,172.494 | 31,900,414 | 31,781,850 |