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JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

OCTOBER—1897

THE EARLY HISTORY OF CANADIAN BANKING

V

THE FIRST BANKS IN UPPER CANADA

THE close commercial dependence of the upper province upon the city of Montreal naturally led the merchants of Kingston, the chief correspondents in Upper Canada of the leading Montreal houses, to follow with special interest, and usually with practical imitation, the introduction of such new business methods or instruments as promised to facilitate the general commerce of the country. Thus, as we have seen, the attempt to establish a provincial bank in Lower Canada in 1808 was followed shortly afterwards by a similar attempt in Upper Canada, the initiative being taken by the Kingston merchants. The army bill experience, which was most characteristic and effective in the upper province, naturally left there a very strong impression as to the numerous beneficent virtues of a paper currency. The shrinkage in circulation which followed the withdrawal of the army bills and the disappearance of the ex-

changes and bullion which had redeemed them, was most severely felt in Upper Canada. It was the connection of Montreal with the Anglo-American settlements of the West, much more than any scarcity of money in French Lower Canada, which caused its merchants to seek so persistently the establishment of a bank.

In this matter the merchants of Kingston followed suit without waiting to know the practical outcome of the Montreal efforts. Early in 1817, after a considerable discussion of the matter and preliminary organization, the leading merchants and others of Kingston drew up a petition which was presented in the House of Assembly on March 3rd, and which is as follows :

"To the Honorable House of Assembly of the Province "of Upper Canada in Provincial Parliament assembled. The "memorial of the merchants and others of the town of Kings-"ton, respectfully sheweth : That your memorialists having "taken into consideration the great utility and advantage of "banks to a commercial people, which has been evinced "by the number which have been established in Eng-"land, and in the United States of America since the "Revolutionary War; and feeling the benefit which the "latter derive from the ready aid afforded by their banks, "to carry on their establishments and improvements in "their western territory, which, although of a much more "recent date, is in a more flourishing state than any part of this "Province, are of opinion that if found so beneficial in "those countries, they cannot fail of tending to the "prosperity of this Province. The want of such an estab-"lishment was severely felt before the war, and there is hardly "any doubt but that the same inconvenience will very shortly "occur, whereas a well regulated bank would obviate all these "difficulties by keeping up a circulating paper to meet every "public demand. Your memorialists therefore pray that your "honorable House will be pleased to pass an Act for their incor-"poration, and authorizing them to establish a Bank to be "called 'The Bank of Upper Canada,' having a capital of "£100,000, divided into 8,000 shares of $50 each share. And "your memorialists, as in duty bound, will ever pray.

"(Signed) THOS. MARKLAND, and others

"Kingston, January 20, 1817"

We observe that, in this petition, while general mention is made of the banks of England, yet the whole of the specific

reference is to the banks of the United States and the beneficial effects which they have had upon the progress of that country. We find also that a good deal of the currency of Upper Canada consisted, at this time, of American bank notes. This petition seems to have been very well received by the House of Assembly, which immediately proceeded to introduce the necessary bill. This bill passed without a division on March 27th, as "An Act to incorporate sundry persons under the "style and title of the President, Directors and Company of "the Bank of Upper Canada."

On April 1st, the legislative council returned the bill with a few minor amendments, which were at once agreed to by the lower house, and the Act was sent to the lieutenant-governor for the royal assent. This was, therefore, the first bank bill passed by a Canadian legislature, the Montreal Bank bill not passing until the following year.

The governor, however, considered it his duty to obtain the opinion of the home government on the expediency of authorizing the introduction of a banking system in Canada, and therefore reserved this first Canadian bank charter for the signification of His Majesty's pleasure. The legislature, doubtless being informed of the lieutenant-governor's intention, had, at the last moment, attached a rider to the Act providing that it should not be forfeited by reason of any non-user before January 1st, 1819. Whether from design or not, the pleasure of the home government was not made known until this date had passed. Then, after it had ceased to be of any value, His Majesty's assent to the bill was graciously accorded, hence it became necessary to have the Act passed a second time.

The Act of 1817 was the same as those afterwards passed to incorporate the Bank of Kingston and the Bank of Upper Canada, with the addition in the latter of article 3, authorizing the executive of the province to take shares in the stock of the bank. These Acts were an adaptation from the Lower Canada Bank Bill of 1808, and were probably copied from one of the bills introduced in the legislature of Lower Canada to incorporate the Bank of Montreal.

Before following up the re-enactment of the charter of the Bank of Upper Canada, some important intervening events must be recorded.

Seeing the favor with which the petition of the Kingston merchants had been received by the House of Assembly, that famous group of persons who filled the chief executive offices and other government positions at York, and who were known as "The Family Compact," seemed to have awakened to the fact that, despite their customary vigilance, here was something likely to go past them which might make a desirable addition to their already valuable collection of provincial good things. Hence, we find that on March 17th, while the bill to give expression to the Kingston petition was well under progress, another petition is presented to the legislature which runs as follows:—

"To the Honorable the Commons of Upper Canada "in Provincial Parliament assembled, the memorial of the "merchants and other respectable inhabitants of the "Home District humbly sheweth: That your memorial- "ists, seeing the many advantages enjoyed by other "countries from the establishment of banks, by means of "which the facility of mercantile transactions and the "interest of the public in general is greatly promoted, "as is evident from the rapidity with which all improve- "ments in the internal economy of countries are carried into "effect, where such depositories have been in operation. That "your memorialists in common with the inhabitants of the "province, experienced great inconvenience previous to the "issuing of the Army Bills, from the want of a circulating "medium; and like disadvantages will soon become oppressive "unless some such accommodation is established upon a secure "and permanent foundation. That a bank incorporated by "charter with a capital of £100,000, to be held in shares of "£12 10s. each, provincial currency, would be of the most bene- "ficial importance to the improvement of the Province, as well "in its agricultural as commercial progress, your memorial- "ists have every reason to believe and ground to hope. Where- "fore your memorialists pray that your Honorable House will "be pleased to take this very necessary and important public "measure into your anxious consideration, and pass an Act to "incorporate a body within this Province under the style and "title of 'The Upper Canada Banking Company' with a capi- "tal of £100,000, to be holden in shares of £12 10s., provincial "currency, each, under such regulations as your Honorable "House may deem wise and prudent. And, as in duty bound, "your memorialists will ever pray,

(Signed) JOHN STRACHAN, ALEX. WOOD and others"

York at that time was of little commercial importance, beyond what business centered in the financial operations of the government. Almost the only people of any financial standing were the leading members of the Family Compact, who controlled the spigot of government expenditure. The bank, therefore, which was petitioned for by the merchants and other respectable inhabitants of York, depended, as we shall see, very little upon the merchants, and very much upon the other respectable inhabitants. The legislature no doubt recognized this, and the York petition received no attention.

After waiting for about a year to learn the fate of their charter at the hands of the home government, the Kingston people seem to have concluded that no news was bad news, and that the Imperial government intended to kill the bill by what the Americans call a pocket veto. Hence a number of the original petitioners, with some others, resolved to follow the example of the Montreal merchants, and, in the meantime, establish the Bank of Upper Canada as a private corporation. They were no doubt encouraged in this resolution by the success of the Bank of Montreal, and by the movements on foot for the establishment of two other banks in Lower Canada upon the same model. The first public indication we have of the movement of the Kingston merchants is found in a letter in the Kingston *Gazette* of June 30, 1818, urging the establishment of a bank in Kingston. This letter is interesting as typical of the very confused ideas as to the functions of banks and paper money which were then current among the ordinary business men of Canada and the United States.

The writer refers to the fact that seven or eight years ago an unsuccessful and perhaps premature attempt was made to establish a bank in Kingston. Since that time, however, Kingston has grown rapidly, and the surrounding country has filled up. The greatness of Britain is attributed in a large measure to her banks. He estimates that the circulating medium of this province stands to the real estate and personal property, in the ratio of one to nine, and concludes (falsely enough) that only one-ninth of the wealth of the province is available for productive purposes. He refers also to the great natural resources of the colony, and the need for capital to

develop them. The establishing of a bank at Kingston, by collecting the dormant capital from all parts of the province, as also from Lower Canada and the United States, would increase the effective capital five fold. As a result vacant mill sites would be occupied, manufactories established, land cleared, toll bridges built, turnpike roads would be opened, and employment given to the numerous emigrants daily arriving. Finally, as in the case of most other writers on such subjects, he refers to the facilities afforded by the army bills, without which business could not have been carried on during the late war. But those bills are now nearly redeemed, and are already at a premium of five per cent. In this letter we have another example of the prevalent confusion between circulating medium and capital. Next week the *Gazette* contained the following notice :

"A meeting will be held at Moore's Coffee House on "Thursday evening next, at 8 o'clock, for the purpose of taking "into consideration the expediency of establishing a bank at "this place, where those who would wish to promote such an "establishment are invited to attend.

"Kingston, 1st July, 1818"

The following week appeared the articles of association of the Bank of Upper Canada. As already stated, these articles are almost identical with those of the other two banks being formed in Canada at the same time, the Bank of Canada and the Quebec Bank.

The leading features of these articles may be condensed as follows:—

Capital stock, £125,000 in shares of £25 each, payable in gold, silver, or Bank of Montreal bills, two per cent. to be paid when the whole of the stock is subscribed, and ten days' notice given, and six per cent. to the directors when they have been chosen, the remainder in calls of ten per cent. whenever the directors decide and after thirty days' notice. The bank shall not issue notes or make discounts until £10,000 shall be actually paid in. There are to be thirteen directors, chosen annually, and from their number shall be chosen a president and vice-president. The stock and property shall alone be responsible for the debts of the company, and all persons doing business with

the bank must do so on these terms. Every bond, bill, note, or depositor's bank-book shall state that payment is to be made only out of the joint funds of the company. Any number of stockholders not less than fifty, and together holding not less than 200 shares, or any seven of the directors may call a joint meeting of the stockholders. If the object of the meeting is to consider the removal of the president or a director for mal-administration, the person accused shall, from the time of the first notice, be suspended from the fulfilment of his duties. The cashier shall give a bond with two or more sureties for £10,000 for the faithful discharge of his duties, and every clerk a bond for whatever sum the directors may fix. The company shall not hold lands or tenements as investments, or hold mortgages, except as collateral security. The total amount of the debts of the company shall not exceed three times the amount of its paid up capital stock over and above a sum equal in amount to the deposits. The books, papers, correspondence and funds of the company shall at all times be subject to the inspection of the directors. The directors shall every year, at the joint meeting, lay before the stockholders for their information, an exact statement of the amount of the debts due to and by the company, specifying the bank notes in circulation, the amount of such debts as, in their opinion, are bad or doubtful, the amount of surplus or profit remaining after deducting losses and provision for dividends. The company shall not, directly or indirectly, deal in anything except bills of exchange, gold or silver bullion. The association shall continue twenty years and no longer, but the proprietors of two-thirds of the stock may dissolve the company at any previous time.

A number of those who had joined in the petition for the chartered bank did not take stock in this private banking company, but made alliance with the private banks of Montreal. Thus, we find the Bank of Montreal opening a branch in Kingston, on July 27th, as the following advertisement will indicate:

"The subscriber having been appointed agent for the Bank of
" Montreal, any sum required can be obtained at his office for
" good bills on Montreal or Quebec or for specie.

" THOMAS MARKLAND

" Kingston, 27th July, 1818"

Mr. Markland it was who headed the list for the first bank charter. From various sources we discover that Bank of Montreal notes enjoyed a considerable circulation in Upper Canada. After the Bank of Canada was founded it also established an agency at Kingston. Thus we find in the *Gazette* of October 13th, 1818, the following notice :—

" Bank of Canada. The subscriber being appointed agent " for the Bank of Canada, he will negotiate bank notes for bills " on Montreal, Quebec, or for specie.

WILLIAM MITCHELL

" Kingston, Oct. 13th, 1818 "

Mr. Mitchell was also one of the petitioners for the chartered bank.

In the meantime the stock of the private Bank of Upper Canada was taken up pretty freely, and on the 27th of October the subscribers are requested to meet at Moore's Coffee House, on Tuesday, the 10th day of November next, at 6 o'clock in the evening, for the purpose of electing directors. On December 14th the stockholders of the bank are called upon for the first instalment of 8 per cent., being $8.00 on each share, to be paid on or before Monday, the 1st day of February next. On April 16th, 1819, appears the first advertisement indicating that the Bank of Upper Canada has opened its doors for business.

" Bank of Upper Canada. Director for the week, Neil " McLeod, Esq. Discount days, Wednesday in each week. " All notes offered for discount must be handed to the Cashier " on the day preceding the discount day.

" S. BARTLETT, Cashier "

It appears that, following Lower Canadian precedent, the various directors of the bank took duty for a week at a time. The following list gives twelve of the thirteen directors for the first year :—Benj. Whitney, President, Arch. Richmond, D. Washburn, C. A. Hagerman, M.P., John McLean, Sheriff, John Ferguson, P. Smythe, Neil McLeod, Henry Murney, T. S. Whittaker, Thos. Dalton, Smith Bartlett.

The bank seems to have flourished, and to have more than held its own in competition with the agencies of the other banks. Its notes evidently obtained circulation throughout the province, and even in Lower Canada, where the Bank of

Canada acted as agent for the redemption of its notes. The advertisement of a Montreal firm states that Bank of Upper Canada bills are taken at par.

Having got this first bank in Upper Canada fairly into business we may leave it and return to the charter which so long awaited the declaration of His Majesty's pleasure. The first of January, 1819, having passed, and with it the validity of the Act to incorporate the Bank of Upper Canada, the parties interested were surprised to find that the Act was, after all, pleasing to His Majesty. The lieutenant-governor regrets to announce that the official expression of that pleasure had been unusually delayed. In a letter to Gouldburn, dated May 7th, 1819, lieutenant-governor Sir Peregrine Maitland refers to the situation in these terms:

"My Dear Sir,—I received from you by the last mail a "despatch which states that His Majesty's Privy Council "see no objection to certain bills passed in this Province "in 1817, the first of them entitled 'An Act to Incor- "porate Certain Persons under the Style and Title "of President, Directors and Company of the Bank of "Upper Canada.' Though the two years have expired, "and I cannot make the Act in question available, I "am very happy to be authorized to give the royal assent to a "similar bill which may be passed the next session. The "Province is over-run with American paper, and judging from "the connections of the persons who were about to open a bank "at Kingston, there was every reason to suppose that the evil "would be much increased. But a provincial bank will "crush it."

The latter part of this letter gives further confirmation to the fact, indicated from several other quarters, that American bank notes were then circulating to a considerable extent in Canada. The suspected tendency of the private Bank of Upper Canada to increase this circulation, has reference to the fact that the chief promoters of that bank were Americans, of the same type as those who started the Bank of Canada in Montreal, and who were especially interested in the trade between Canada and the United States. It was natural, therefore, that the Kingston bank should associate itself with the Bank of Canada.

The lieutenant-governor had intimated that the form of

a re-enactment of the charter of the Bank of Upper Canada would have to be gone through in order to make it available. Accordingly, on May 21st, 1819, the Kingston people once more called a meeting to consider the propriety of petitioning parliament at its next session for a renewal of the Act incorporating a banking company in this province. This movement, we find, was supported by most of those connected with the private Bank of Upper Canada in Kingston. As a result of this meeting a petition was drawn up and presented to the Legislature on June 12th. On June 16th the York people presented the same petition as before, asking to be incorporated as the Upper Canada Banking Company, this time signed by William Allan and twenty-two others. Mr. Allan was a rising member of the Family Compact. At that time he held three different offices, and was destined before long to become a still more important member of the fraternity under the title of The Honorable Wm. Allan. Again, however, the legislature took no notice of the York petition, but proceeded to re-enact the original bill in accordance with the Kingston petition and the speech from the throne. The Compact, however, was not in the habit of suffering its objects to be lightly defeated, otherwise it had never attained to the power which it then enjoyed, or improved its future opportunities. It at once adopted a new plan of campaign, as we shall presently see. The second bill chartering the Bank of Upper Canada passed the legislature on June 24th, yet not so unanimously as on the former occasion. In its later stages, strange to say, Mr. Robinson, of York, who had introduced the bill for the rival bank, now appears as the patron of the bill, while many of the eastern members, its former supporters, voted against it. The bill passed, however, by a majority of three, and was sent to the legislative council. On July 8th, Mr. Baldwin, the Master in Chancery, brings down from the legislative council the following message with reference to the bank bill :—

"MR. SPEAKER :—The Honorable the Legislative Council "requests a conference with the Commons House of Assembly "on the subject matter of a bill entitled 'An Act to incorporate "sundry persons under the style and title of the President, Di- "rectors and Company of The Bank of Upper Canada,' and have "appointed a committee of two of its members who will be

"ready to meet a committee of the Commons House of Assem-
"bly for that purpose in the Legislative Council Chamber at the
"rising of this House this day."

The conference took place, and the result, though strange enough in itself, had all the facility and despatch of a prearranged harmony. On the very same day, at the next sitting, Mr. Baldwin brings down the bill, sent up from the lower house, to incorporate the Bank of Upper Canada, which the legislative council has passed with some amendments, which amendments consisted simply in striking out the names of the Kingston merchants and others, and substituting the names of the members of the Family Compact and their friends, while the head office of the bank is changed from Kingston, not to York, be it observed, but to the "Seat of Government." There was some talk at that time of removing the seat of government from York, and the Compact naturally wished to be able to carry the bank with them. As a further evidence of prearranged harmony, Mr. Baldwin brings down along with these amendments, and as a solace to the Kingston people, a bill, already originated and passed by the legislative council, entitled "An Act to incorporate sundry per-
"sons under the style and title of the President, Directors and
"Company of the Bank of Kingston," which they recommend for adoption by the lower house. This bill was simply, with the omission of one article, a copy of the Act which the Compact was in process of capturing. As a final evidence of prearranged harmony, the majority of the lower house, under the leadership of Mr. Robinson, immediately accepted these astonishing amendments, passed the Act so amended, and read the Bank of Kingston bill a first time, all at one sitting.

But why, it may be asked, since the Compact was willing to allow Kingston to have a bank, did they not permit the Kingston people to keep their own bill, and why did not the Compact use its influence to have a new bill passed to establish the Banking Company of Upper Canada, for which they had petitioned the house just three weeks before? To which we might suggest the following answer: In the first place, their proffered bill to establish the Banking Company of Upper Canada had been already shoved aside, and it was evidently a bill to establish the Bank of Upper Canada, to which the gover-

nor seemed authorized to assent. In the second place we find that the bill for establishing the Bank of Upper Canada contained an important clause adapted from the Quebec bill of 1808, and ultimately from the charter of the first Bank of the United States, making it lawful for the governor or lieutenant-governor, or person administering the government of the province for the time being, to subscribe and hold in the capital stock of the said bank, for and on behalf of this Province, any number of shares therein not exceeding 2,000, the amount whereof the governor or lieutenant-governor, etc., is authorized to take out of the unappropriated monies which now remain in the hands of the Receiver-General for the future disposition of the parliament of the province. Whether this clause, which was not in the previous Act, was incorporated in this bill when it was first introduced to the House, or was added after the Compact became interested in it, I have not been able to exactly determine. What evidence there is would seem to indicate that it was added to the bill by its new friends. As the Compact usually controlled the executive of the province, with very limited responsibility to the legislature, it may be seen at a glance that a charter with such a clause in it would be to the Compact an extremely desirable possession, as practically the same persons would then have both the granting of the public money and the use of it all in their own hands.

Sir Peregrine Maitland was as yet new to his office, and had not been brought into that condition of personal sympathy and cordial co-operation with the purposes of the Compact which he afterwards exhibited.

When, therefore, the two bills came before the lieutenant-governor for his contribution of the royal assent, he evidently felt unable to sanction so considerable a departure from British methods as that indicated in the capture of the bill to incorporate the Bank of Upper Canada, hence, contrary to expectation, he reserved the captured bill for the signification of His Majesty's pleasure, and gave the royal assent to the substitute establishing the Bank of Kingston. The people of Kingston were naturally much astonished at the turn things had taken. But seeing that the captured bill had been reserved, and that

the one sanctioned was the only charter before the country, they made the best of the situation, and set to work to raise the necessary capital.

It was on July 12th, 1819, that the lieutenant-governor gave the royal assent to the bill establishing the Bank of Kingston. The Act was published in full in the Kingston *Chronicle* on July 23, and in the same issue of the paper a notice appeared calling a meeting of the inhabitants of the town and its vicinity for the purpose of adopting measures to carry the Act into effect. This meeting was evidently in favor of going on with the charter, and in the next issue of the *Chronicle* we have the following :

" Notice.—Books of subscription for the Bank of Kingston " will be opened at the directors' room of the Bank of Upper " Canada, on the 24th August next, and kept open each day " from the hour of 10 till 3 o'clock until further notice.

" Kingston, July 27th, 1819"

This notice indicates that there was no antagonism between the chartered bank and the existing Bank of Upper Canada. Two of the directors of the Bank of Upper Canada, Neil McLeod and Patrick Smyth, were among the petitioners for the Bank of Kingston. From the fact that the majority of the directors of the private Bank of Upper Canada were among the charter members in the bill which was captured by the York people, we may reasonably conclude that it was the intention of the private Bank of Upper Canada to unite itself with the provincial bank as soon as established.

By the third clause of the Act of incorporation of the Bank of Kingston the number of shares to be subscribed for in the first instance by any one individual was limited to eighty. Afterwards, if not all taken up, the number might be increased. Subscription books were to be opened on the 24th of August, and the *Chronicle*, referring to the fact, says that when the books were opened for subscriptions several individuals entered their names for the full number of shares allowed in the first instance. In the same article it is assumed that most of the stock will be taken up in Kingston, as it has the largest amount of capital in the province. It is pointed out that a bank-note currency is greatly needed in Upper Canada, as it will serve all

the purposes of provincial trade, and yet not be likely to drain away as specie does. This idea, as we have seen, was at that time as common as it was fallacious. The bank notes being redeemable in cash, if the nature of the provincial trade required money to be sent out of the country, bank notes would simply be converted and the bullion sent off. It was also held, with more reason, that these notes by affording a circulating medium for the western trade of the province would greatly increase it, yet if it tended to increase imports rather than exports, on which it could have little influence, it might simply be hastening the exit of metallic money, and this was, in a measure, the actual result.

The Kingston Bank charter provided for the opening of books of subscription in the towns of Niagara, York, Brockville, Amherstburg, Ancaster, Vittoria, Hamilton, (Cobourg) and Cornwall. It was expected in Kingston that stock would be taken in most of these places, and branches of the bank opened in a number of them.

In view of what followed we require to note particularly the economic condition of the province and of the neighboring States at this time. A great decline had taken place in the value of Canadian agricultural products, owing to the contraction at once of the home market furnished by the troops and other government employees, and of the British market, due to the introduction of very stringent corn laws in the interests of the British farmers. The United States was also undergoing the natural reaction from the war with England, and was especially suffering from the depression in international trade which followed the close of the long struggle in Europe, during which the United States had enjoyed an exceptionally favorable position. The British corn laws injured the American farmers also, and there followed throughout the United States a period of very severe commercial depression, during which metallic money became scarce and many banking institutions came to grief.

The Canadian trade with Britain was still greatly hampered by the remnants of her late colonial system and the navigation laws. The Americans, on the other hand, had obtained many relaxations of that policy in their favor owing to the necessities of the late European situation. As a consequence, the Ameri-

cans were able to supply Canada with many lines of colonial and foreign goods, especially those from China and the East and West Indies, cheaper than they could be had from British merchants. Hence, as in the case of Lower Canada, the money which left the Upper Province went largely to the United States; from Kingston it passed chiefly to Sackett's Harbor and Oswego.

At this time the Americans preferred silver to gold, as it was best suited to their trade with China, India, and the East generally, as also with the West Indies and South America.

A great part of the money sent from Britain to redeem the army bills was gold, hence silver in Canada first passed to a premium and soon left the country. About the beginning of 1820 it was reported that there was hardly any silver in circulation in Canada. Gold itself had passed to a premium of one per cent., while bills of exchange on London were at a premium of five per cent. in gold, or six per cent. in silver. Later on we find that the relations of the metals have changed. The new trade policy introduced by Huskisson made it more advantageous to the Canadians to deal with England, consequently gold came to be the metal most in demand for exchanges, and in 1822 we find that the banks are offering four per cent. premium on British gold and two and one half to three per cent. on other kinds of gold. For good bills of exchange on Britain the banks were willing to pay ten per cent. premium, while fifteen per cent. or over was charged by the banks for exchanges on Britain. These figures indicate how one-sided the foreign trade of Canada was at this time. At the same time it was obviously very profitable for the banks to undertake the work of exchange, especially where they could obtain control of the government bills or those of the leading importers. This, as we have seen, constituted the strength of the Bank of Montreal, as afterwards it was the mainstay of the Bank of Upper Canada at York.

Naturally this period of depression was particularly trying to the merchants of Canada, and especially to those in Kingston, who depended so largely on the general trade of the province in agricultural products, and had neither the advantages of the fur and timber trades of Montreal and Quebec, nor the patronage of the government as at York.

The expansion of Kingston during the first twenty years of the century had been rapid and encouraging. Credits to the various local merchants, to mill owners and grain dealers had been necessary and extensive, and for some time after 1812 had been very well discharged. When, therefore, the evil days of low prices and slow sale for agricultural products fell upon the province, accompanied by the rapid disappearance of the currency, these obligations could not be met with the same promptness. This was particularly disastrous to Kingston, where most of the credits centered, and which had been in a sense speculatively discounting its future. This brief outline of the situation will enable us the better to understand the currency and banking condition during the five or six years which followed 1819. In this period the collapse of the private Bank of Upper Canada occurred.

The expectation of the Kingston people that shares in their bank would be eagerly taken up by other Upper Canadian towns was doomed to disappointment. The truth is that as the outlying centres were the first to feel the pinch of the growing depression, they were already unable to find money for anything more than their present needs, if even for those. Hence they could not take shares in a bank requiring the various instalments to be paid in gold or silver. The minimum amount required to be subscribed before beginning business was £50,000 ($200,000), and of this £20,000 was required to be paid in. With very little assistance from without, and under the conditions of the time, this proved to be too much to be raised by the people of Kingston alone.

Meanwhile the unchartered Bank of Upper Canada was doing a very brisk business, all things considered much too brisk for safety. Just in proportion as specie left the country people sought assistance from the bank, and its directors did not recognize with sufficient clearness that the very condition of affairs which led to the calling out of its notes would make it difficult for its customers to meet their obligations to the bank.

Business conditions continuing to grow worse, much speculation was indulged in as to the best means of remedy. The opinion which prevailed was that the growing scarcity of money

was the tap root of the evil. Few went beyond that elementary observation to ask what might be the cause of the scarcity of money. We need not perhaps be too impatient in this matter with our predecessors, when we find that the average modern citizen, with so much additional experience available, commonly arrests his diagnosis at the same elementary point, and spends much of his time in seeking for or trying to apply the wrong remedy.

When, in 1821, the first session of the 8th parliament opened at York, we get a glimpse of the nature of popular opinion on the subject. Mr. Stephen Conger and other inhabitants in the township of Hallowell, set the ball rolling by their petition to the House to do something towards supplying the country, especially the farmers, with money. The petition itself is not found in the Journals of the House, but the report of the committee to whom it was referred is given, and is so interesting with reference to several aspects of our subject, that I give a few extracts from it. It appears that the petition had asked for the issue of an inconvertible paper currency by the government, for the committee reports that they "find that to pass an "Act authorizing the emission of a paper currency which should "be a legal tender in satisfaction of executions, would be in "direct violation of the British statute 4 Geo. III, chap. 34, "which expressly prohibits the creation of paper bills of credit, "to form a legal tender by any Act of a colonial legislature." It appears, further, that the petitioners desired that the government, having provided itself with plenty of this legal tender paper, should open a loan office to furnish the farmers with money on the security of their lands. The better informed members of the committee recognized well enough what that would lead to, and declared that "a loan office established on "the principle stated in the petition would not ultimately afford "the relief desired. It would be dangerous in the present de-"pressed state of agriculture and commerce to afford so general "a facility to loans, which your committee fear would end in the "inevitable sacrifice of the landed property of most of those "persons who might be induced by it imprudently to seek relief "against present pressure, or embark in speculative enterprises "from too sanguine anticipations of the future. Your commit-

"tee further beg leave to express their conviction that a paper "currency issued without any provisions for its redemption by "payment in specie, but built merely on the credit of landed "security, must inevitably and immediately sink in value, and "to attempt to force it as a legal tender in cases of debts now "contracted, would be in reality to defraud individuals and "would ruin the credit of the country."

This is sufficient evidence that men of sound views were not wanting to check the populist ideas of those days. The committee, however, wished to impress upon the house "the "great embarrassment experienced throughout this province "for want of a circulating medium." Further, they declared that "almost all the money transactions of this province are "carried on through the means of the paper of a private bank "of this province, not established by charter, or by bills of "banks in Lower Canada, which it is obviously contrary to "good policy to suffer to continue."

As a result of this report and the discussion on it, the following resolutions were adopted by the House on April 6th:

"Resolved, that it is the opinion of this House, that the "establishment of a provincial bank under proper restrictions "would be beneficial to the country, by remedying the great "want of specie, by securing to ourselves whatever advantages "are to be derived from the issue of a paper currency, and by "establishing a circulating medium of known security, instead "of the paper of private banks, uncontrolled by charter or "legislative provisions, and which from its being rejected by "the public receivers, does not answer effectually all the pur-"poses of trade."

The second resolution runs thus:

"Resolved, that it is the opinion of this House, that a bill "should be brought in for establishing a provincial bank, the "corporation to consist of such persons as shall become stock-"holders under the provisions of the Act; the system to be as "similar as circumstances will permit to that contained in the "bill formerly passed for establishing a bank at Kingston, except "that to insure its going into operation, the amount of stock "and deposit, and consequently the paper to be issued, should "be reduced."

Evidently the people of Kingston were quite satisfied to accept a general Act of this nature providing for the establish-

ing of a provincial bank, the stock and management of which would be open on equal terms to all parties in the province. Hence they made no effort to have their charter amended to reduce the stock and deposit required before starting the bank.

In accordance with the second resolution a committee was appointed to draft a bill giving expression to the ideas therein contained. This was done, the title of the bill being : " An Act " to establish a Provincial Bank, under the style and title of " the President, Directors and Company of the Bank of Upper " Canada." The bill passed through all its stages, and received the royal assent on April 14th, 1821. Nevertheless it was doomed to perish still-born. To the astonishment of everyone there arrived from England a day or two afterwards the official expression of the royal assent to the Act of 1819, establishing the Bank of Upper Canada which had been captured from the Kingston people by the Family Compact. This of course had precedence of the Act just passed, and was duly proclaimed on April 21st.

As in the case of the Kingston Bank charter, the capital of the York Bank of Upper Canada was fixed at £200,000, of which £50,000 was required to be subscribed and £20,000 paid in before the bank could begin business. The government was authorized to subscribe for 2,000 shares, amounting to £25,000. As already pointed out, the promoters of the bank and the executive of the government were practically the same persons, hence, as was to be expected, the government at once subscribed for the whole of the 2,000 shares which it was permitted to take. This was itself half the minimum required. Yet it was found impossible to raise the other half. Some of the more solid and conservative members of the government disapproved of the whole movement, recognizing that there was no adequate capital or business at York to justify the existence of a bank there. Thus, the Hon. John McGill, the Receiver-General, whose knowledge of the economic condition of the country was superior to that of any of his colleagues, in writing to a friend at this time, 1821, says :—

" It is not yet ascertained whether there are sufficient sub- " scribers to the Upper Canada Bank to commence operations.

"My own opinion is that it will be a losing business, though I "have been dragged into subscribing more than was perhaps "prudent. I really cannot see what good business a bank can do "here. The Lower Canada bank, I am told, has not been able "to pay a dividend for the last year owing to bad debts."*

But Mr. McGill had some colleagues who were looking in quite another direction than ordinary business to make the bank pay.

When it was discovered that a sufficient amount of stock could not be disposed of to fit the charter, it was sought to make the charter fit the stock to be had. At the next session of the legislature, which was convened in November of the same year, the Attorney-General introduced a bill to amend the charter of the Bank of Upper Canada, which is usually referred to at this time, both in the journals and elsewhere, as the "York Bank." The bill passed through its various stages under the direction of the Attorney-General, and became law on January 17th, 1822. By this amendment the minimum deposit required was reduced from £20,000 to £10,000. Even then, however, and with the aid of the government shares, it was found impossible to raise the minimum.

In looking over, in the Toronto Public Library, the manuscript papers of Mr. Samuel P. Jarvis, one of the first stockholders of the bank, I find, among other interesting bits of information with reference to that institution, his receipts for the payment of the first five instalments on the capital stock subscribed. The first call was for 10 per cent., or £1 5s. per share, and the receipt for this is dated 1st March, 1822. The second is also for 10 per cent., and is dated 10th June, 1822. In July the bank began business, and the third call was not made until October, 1823. The bank, therefore, went into operation on 20 per cent. of its subscribed capital. In the end of 1823, after the payment of the third call for 5 per cent., the paid-up capital was reported at £10,640. Even assuming that the amount of subscribed capital was as great in 1822 as in 1823, if 25 per cent. of it amounted to £10,640, then 20 per cent. could not have exceeded £8,512, of which £5,000 represented the amount contributed by the government from the public funds, and £3,512 the whole

*This letter is given in "Toronto Past and Present."

amount contributed by the stockholders. But, as we find that the amount of subscribed capital was gradually increasing, we are justified in assuming that there was somewhat less stock taken up in 1822 than in 1823. Hence, when the bank began business, there must have been somewhat more than £1,500 of a deficiency in making up the minimum of paid-up capital required by the amended charter. How then was this deficiency made up? Mr. Geo. Hague, General Manager of the Merchants Bank, has told us on the authority of Mr. Boulton, that part of the funds needed to start the bank were advanced out of the Military Chest.

The directors of the bank as it went into operation were the following: Wm. Allan, Hon. Joseph Wells, Hon. and Rev. Dr. Strachan, Thos. Ridout, Chris. Widmer, Hon. John McGill, James Crooks, Wm. Proudfoot, Hon. J. H. Dunn, Henry J. Boulton, Hon. James Baby, George Munro, George Ridout, Hon. George Crookshanks, Hon. D. Cameron. Fifteen in all, of whom nine were either members of the Executive or Legislative Council, or held important offices under government, while most of the other six are found in similar positions a few years later. Thus, with the exercise of a great deal of ingenuity, and the contribution of a little capital on the part of its promoters, we find that notable institution, the Bank of Upper Canada, started on its interesting career.

Finding that the establishment of a provincial bank had been prevented by the proclamation of the royal assent to the Bank of Upper Canada at York, the Kingston people once more resumed their efforts to secure a chartered bank of their own; and from that time till the final passing of an Act in 1832, chartering the "Commercial Bank of the Midland District," there was an interesting conflict between the Family Compact at York and the commercial interests in the eastern part of the province, the details of which, however, bring us into a new epoch.

Meantime we have the failure of the private Bank of Upper Canada at Kingston—the particulars of which make rather a long story which cannot be narrated here.

ADAM SHORTT

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THE LEGISLATION OF 1897 SPECIALLY AFFECTING OR INTERESTING TO BANKS

IN accordance with my duty as counsel for the Canadian Bankers' Association, I examined from time to time as they appeared, the various bills, public and private, introduced into the parliament of Canada and the legislatures of the various provinces, during the sessions held in 1897. Very little appeared in any of the provinces, except Ontario and Quebec, which specially interested banks, or to which exception on their behalf required to be taken.

In the province of Quebec one bill was introduced relating to the assessment of certain properties and to the duty of certain bank officials with reference thereto. This bill was opposed by the Bankers' Association, as well as by other interests, and it failed to become law. In the Dominion parliament and in the Ontario legislature some important measures were passed; others which it was thought would prejudicially affect banks were introduced and successfully opposed, the bills being either thrown out or withdrawn, or so amended as to remove the objectionable features.

It is not proposed in this paper to deal with the measures which did not become law, but to refer to those which are now on the statute books.

FORGED AND UNAUTHORIZED ENDORSEMENTS

The most important of these will be dealt with first, and is here set out in full, viz :—

CHAP. 10

"AN ACT RESPECTING FORGED OR UNAUTHORIZED ENDORSEMENTS "OF BILLS

"*Assented to June 29th*, 1897

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

"1. Subsection 2 of section 24 of *The Bills of Exchange Act*, 1890, as

"amended by section 4 of chapter 17 of the statutes of 1891 intituled 'An "Act to amend *The Bills of Exchange Act*, 1890,' is hereby repealed, and the "following subsections are substituted therefor:—

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

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

In order that the full importance and meaning of this statute may be understood and appreciated it will be convenient to refer to the history of the law relating to forged or unauthorized endorsements, both in England and in Canada.

In England, before the Act 16-17 Vic. (1853), cap. 59, sec. 19, a banker paying a cheque to a holder whose title depended upon a forged or unauthorized endorsement could not under ordinary circumstances debit the customer with the payment. By the Act referred to the enactment which is now embodied in section 60 of the English Bills of Exchange Act, 1882, was made. That section is as follows:

"When a bill payable to order on demand is drawn on a "banker, and the banker on whom it is drawn pays the bill in "good faith, and in the ordinary course of business, it is not "incumbent on the banker to show that the endorsement of the "payee or any subsequent endorsement was made by or under "the authority of the person whose endorsement it purports to "be, and the banker is deemed to have paid the bill in due course, "although such endorsement has been forged or made without "authority."

The effect of this section has been held to be:

(*a*) That the banker who pays the cheque (which is a bill payable to order on demand) is protected, and can charge the amount against the customer.

(*b*) That the customer who draws the cheque is protected, the cheque having been paid.

(*c*) That the loss, which in the circumstances must fall upon one of three or more innocent parties, falls upon the person who alone of these could have contributed to the circumstances which occasioned the loss.

The leading case on the subject, and which declares the effect of the section, is *Charles v. Blackwell*, L.R., 2 C. P. D. (1887), p. 151. In that case G. K., an agent of G. & Co., the plaintiffs, having authority to sell goods for them, and to receive payment by cash or cheque, but not having authority to endorse cheques, received from the defendants, in payment for goods supplied, a cheque on their bankers, drawn payable to G. & Co. or order. G. K. endorsed it "G. & Co., per G. K., Agent." He received the money from the bankers and misappropriated it. The bankers returned the cheque to the defendants, and the amount was allowed in account by the defendants. It was held that the endorsement of the cheque by the agent without authority was within the enactment referred to (then sec. 19 of 16-17 Vic., cap. 59; now sec. 60 of the Bills of Exchange Act), and that, the bankers having in good faith and in the ordinary course of business paid the cheque, they were protected by the statute and were entitled to charge the amount against their customers, the drawers of the cheque and the defendants in the case, and that the cheque having been properly paid the plaintiffs could not maintain an action against the defendants either for the price of the goods or for the cheque. Cockburn, C.J., in the Court of Appeal, at p. 157, says:

"The enactment must have been intended to apply to both "forms of endorsement, to that purporting to be by procur- "ation as well as to that purporting to be the endorsement of "the payee."

At p. 158:

"But suppose the cheque to have been delivered in "payment to the payee, or to his authorized agent, the cheque "then operates as payment, and extinguishes the debt, subject "only to the condition that, if upon due presentment the "cheque is not paid, the original debt revives. But if the "cheque is stolen or lost by the payee, and, on its presentment "by a party into whose hands it has fallen, is paid before the "payee has had time to give notice of the loss to the banker, or "while he delays giving such notice, the loss must fall on him.

"He has taken the cheque in payment, and cannot call upon "his debtor for a second payment so long as the latter is in no "default as regards payment of a cheque on presentation. Such "is the practical effect of *Hansard v. Robinson* (7 B. & C. 90), "and *Crowe v. Clay* (9 Ex. 604: 23 L.J. Ex. 150), with refer- "ence to cheques payable to bearer, as practically all cheques "were payable before 16 & 17 Vic., c. 59. A cheque payable "to order, when taken in payment, operates like a cheque pay- "able to bearer, as payment till such time as default is made "by the drawee on presentment of the cheque. Unless, there- "fore, the payees are in a position to show such default, how "can they maintain an action in respect of the original debt?"

This enactment appears to have been adopted in Germany, Austria and Switzerland.

In 1890, when the Canadian Bills of Exchange Act was introduced by Sir John Thompson into the parliament of Canada, it contained a clause identical with section 60 of the English Act, but, for reasons which probably resulted from a misunderstanding of the effect of the section, the clause was struck out in committee, and the Act was passed without it.

In 1891, by cap. 17, sec. 4, the following sub-section was added to sec. 24 of the Bills of Exchange Act:

"If the drawee of a cheque bearing a forged endorsement "pays the amount thereof to a subsequent endorser, or to the "bearer thereof, he shall have all the rights of a holder in "due course for the recovery back of the amount so paid from "any endorser who has endorsed the same subsequent to the "forged endorsement, as well as his legal recourse against the "bearer thereof, as a transferrer by delivery, and any endorser "who has made such payment shall have the like right and "recourse against any antecedent endorser subsequent to the "forged endorsement; the whole, however, subject to the "provisions and limitations contained in the last preceding "sub-section."

It is believed that this provision was introduced by the late Minister of Justice, Sir John Thompson, because of the rejection by parliament of the clause corresponding to section 60 of the English Act, and because it was doubtful whether an acceptor or endorser would after payment have any remedy against endorsers subsequent to the forged endorsement.

The case of the *Bank of Liverpool v. the River Plate Bank*, L.R. 1896, 1 Q.B.D.7, decided in England last year, drew the

attention of the banks here to the risks which they ran in paying bills bearing a forged or unauthorized endorsement, and called for a close consideration of our statutory law on the subject. No case had arisen under the amendment of 1891, but an analysis of the addition to section 24 thereby made seemed to prove one of three things, viz :—(1) that it was either illusory and really no effectual remedy for the evil intended to be remedied, or (2) that it went entirely too far and might be the means of doing more injustice than justice, or (3) that the true meaning and effect of the section was so obscure that it was very difficult, if not impossible, to decide what it really did mean. The importance of the subject demanded that the attention of the government should be called to it. Accordingly, the position was explained to the Minister of Justice (Sir Oliver Mowat), with the result that he introduced and succeeded in having passed by parliament the enactment quoted at length above.

The old section will now be contrasted with the new, and the defects in the one and the merits in the other, shown.

(*a*) The old section applied only to a cheque. There was no reason why the enactment should have been confined to cheques. A cheque is, by section 72 of the Act, defined to be a bill of exchange drawn on a bank payable on demand. The enactment should have covered a bill of exchange, whether drawn on a bank or on any other institution or person, and should not have been confined to bills payable on demand ; a bill payable at or after sight, or after date, etc., should have been included.

(*b*) The old section was confined to the case of a forged endorsement. There was no reason why this should have been so. A forged endorsement does not in its result in any way differ from an unauthorized endorsement, and it will be observed that the English Act covers both.

(*c*) The clause declared that if the drawee of the cheque paid the amount, he should have all the rights of a holder in due course for the recovery back of the amount so paid from any endorser who had endorsed the same subsequent to the forged endorsement. It will be observed that the right to recover back was given if the drawee paid. No provision was made for recovery of any one except the drawee paid. The

English act contains the words "in good faith and in the ordinary course of business," and unless the payment be made in this way there should be no right to recover it back. If the "rights of a holder in due course," referred to, were merely the ordinary rights of a holder of a bill, they were confined to a remedy upon the bill itself against the prior endorsers.

Now, before the holder of a bill can sue a prior endorser, the bill must have been presented for payment on the day when due, and must have been dishonored, and notice of the dishonor must have been given within the time limited to the endorser sued. If the section meant this, then the bank paying the cheque was practically given no relief whatever, as the cheque was not dishonored, and in probably nine hundred and ninety-nine cases out of a thousand the forgery would not be discovered in time to enable notice to be sent to the endorser or person receiving the money. If this was the effect of the section, then it did not go far enough, and gave no practical relief. On the other hand, if the section intended to give the bank paying the cheque the right to recover back the amount from the endorser, etc., without giving notice within any limited time, then the section went too far, as under those circumstances a bank might delay making the claim right up to the time when the Statute of Limitations would afford a defence. This would be, of course, an injustice to the endorser.

The clause, however, wound up with these words,—"the "whole, however, subject to the provisions and limitations con-"tained in the last preceding sub-section." Turning to this "last preceding sub-section," which limits the right of the drawer of a cheque to recover from the bank the amount paid by the bank upon a forged endorsement, we find that the drawer has no right of action against the bank for recovery of the amount paid unless he gives notice in writing of the forgery to the bank within one year after he has acquired notice of such forgery. If, therefore, the concluding part of sub-section 2 meant that the bank had one year after acquiring notice of the forgery (and it probably did mean that) to notify the endorser of it, then the section went too far, as one year is entirely too long; notice in such case should be given promptly.

Turning now to the new section. It is framed so as to

cover a bill simply, whether it be payable on demand, at or after sight, etc., and whether it be drawn on a bank or otherwise. Section 88 of the Bills of Exchange Act provides that, with certain specified exceptions, the provisions of the Act relating to bills of exchange apply with the necessary modifications to promissory notes, and in applying those provisions the maker of a note shall be deemed to correspond with the acceptor of a bill and the first endorser of a note shall be deemed to correspond with the drawer of an accepted bill payable to the drawer's order. By section 72 a cheque is defined to be a bill of exchange drawn on a bank, payable on demand. The new section would therefore apply to a bill of exchange, a promissory note and a cheque. It is also framed to cover both a forged and unauthorized endorsement, and a payment to be recovered back must have been made in good faith and in the ordinary course of business. Section 89 of the Bills of Exchange Act declares that "a thing is deemed to be done in good faith within the "meaning of this Act where it is in fact done honestly, whether "it is done negligently or not." In this connection it will be interesting to note that section 79, which affords protection to a bank paying a crossed cheque, requires that the payment should be made "in good faith and without negligence." The difference is important. The old section in terms conferred the right of recovery back upon the drawee only. The new section confers the right upon the person by whom or on whose behalf the payment is made. "Person" under the Interpretation Act, includes "corporation," and, therefore, a bank. It is, of course, a common practice for customers to make their notes and acceptances payable at their bank, and the bank is justified in paying them out of funds at its customers' credit. In making such payment without the express approval of the customer in each case the bank certainly runs some risk of trouble with its customer, should it turn out that an endorsement has been forged or unauthorized; and, should the bank have paid the item and charged it to the customer's account overdrawn at the time, its right under the old section to recover back the money from the endorser would have been very doubtful. The new section, however, makes the right clear, as it is

given to the person by whom or on whose behalf the payment is made, so that the claim for repayment might be made either by the bank which made the payment or by its customer on whose behalf the payment was made. It will be observed that the old section gave the "rights of a holder in due course" for the recovery back of the amount paid from any endorser. These rights, whatever they may have been, were not given as against the person who had received the money but who had not endorsed. The old section did, however, assume to give to the drawee "his legal recourse against the drawer as transferrer by delivery," but, as this "legal recourse" was not defined, the section really did not advance the position of the drawee in this respect. The new section confers the right to recover back the amount from the person to whom it was paid, or from any endorser subsequent to the forged or unauthorized endorsement. Neither the old section nor the new section assumes to confer any rights against an intermediate holder who may have transferred the bill but who had not endorsed it. Notice of the forgery or unauthorized endorsement must be sent to each endorser subsequent thereto within a reasonable time after the person seeking to recover the amount has acquired notice of the forged or unauthorized endorsement. It will be observed that the notice must be sent to each subsequent endorser, and not only to the endorser against whom the claim is intended to be made. It will also be observed that the notice must be given within a reasonable time after knowledge of the forgery, etc. It was thought better to leave the time indefinite in this way. It would be a question of fact for the tribunal to decide under the circumstances of the particular case, whether notice had been given within a reasonable time. If a fixed time were limited by the Act, it might prove either too short or too long, and thus do injustice in particular cases.

There are other provisions of the Bills of Exchange Act providing for things being done within a reasonable time, so that the principle is already established by the Act; for instance: sub-section 3 of section 36 declares that a bill payable on demand is deemed to be overdue when it appears on the face of it to have been in circulation for an unreasonable length of time, what is an unreasonable length of time for this purpose

being declared to be a question of fact. Sub-section 2 of section 45 declares that presentment of a bill payable on demand must be made within a reasonable time after its issue in order to render the drawer liable, and within a reasonable time after its endorsement in order to render the endorser liable, and the section declares that in determining what is a reasonable time regard shall be had to the nature of the bill, the usage of trade with regard to similar bills, and the facts of the particular case. A similar provision is contained in section 40 with respect to presentation for acceptance or negotiation of a bill payable at or after sight. Section 44, sub-section 3, declares that when the drawer or endorser of a bill receives notice of qualified acceptance he must express his dissent to the holder within a reasonable time, &c.

The new section also makes a definite provision with respect to the manner of giving notice, and adopts the provisions of the Act with respect to notice of protest or dishonor.

It will be observed that the enactment does not affect the rights or position of the drawer or endorsers prior to the forged or unauthorized endorsement, they being in no way responsible for the forgery or want of authority. As a loss must be suffered by some innocent party on account of the forgery, it is only right that the loss should fall upon him who by his negligence, want of caution or failure to enquire, was imposed on, and who had it entirely within his power to protect himself at the time of acquiring the bill. These remarks apply to the first endorser after the forged or unauthorized endorsement and to each subsequent endorser, but they do not apply to the acceptor, who has no option when the bill is presented for payment, but to pay it or let it go to protest; he has no time to make any enquiries about the endorsement, and in the majority of cases has no means of doing so even if he had time, and, if he acts in good faith and in the ordinary course of business in paying the bill, he above all others of the innocent parties should not suffer, provided that after acquiring knowledge of the forgery, etc., he acts promptly. It is, of course, out of the question to think that an acceptor would allow his bill to go to protest with all the consequent results upon his credit, etc., unless he was sure that the person presenting the bill had no title to it; he

should only be required to act in good faith, and in the ordinary course of business. An acceptor must, when the bill is presented at the proper time, then and there either pay or decline to pay. In strict law he would not have any further time than was necessary to examine the bill itself and the endorsements on it.

COMPANIES' BORROWING POWERS

The next Act passed by the Dominion Parliament, of most importance to banks, is as follows:—

"CHAP. 27

"AN ACT TO AMEND THE COMPANIES' ACT

"*Assented to June 29th*, 1897

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

"1. Section 37 of *The Companies' Act* is hereby amended by striking out "the following words at the end thereof, 'But the limitation made by this "section shall not apply to commercial paper discounted by the Company';— "and by substituting therefor the following words—'Provided always that the "limitations and restrictions on the borrowing powers of the Company con- "tained in this section shall not apply to or include moneys borrowed by the "Company on bills of exchange or promissory notes drawn, made, accepted, "or endorsed by the Company.'

"2. This Act shall be read as part of *The Companies' Act*, and the "provisions hereof shall apply and extend to all existing companies to which "the provisions of *The Companies Act* are applicable."

Section 37 of The Companies' Act was as follows:

"37. The directors may, when authorized by a by-law for that purpose, "passed and approved of by the votes of shareholders, representing at least "two-thirds in value of the subscribed stock of the company represented at "a special general meeting duly called for considering the by-law:

"(*a*) Borrow money upon the credit of the company and issue bonds, "debentures or other securities for any sums borrowed, at such prices as are "deemed necessary or expedient; but no such debentures shall be for a less "sum than one hundred dollars;

"(*b*) Hypothecate or pledge the real or personal property of the com- "pany to secure any sums borrowed by the company;

"But the amount borrowed shall not, at any time, be greater than "seventy-five per cent. of the actual paid-up stock of the company: but the "limitation made by this section shall not apply to commercial paper dis- "counted by the company. 40 V., c. 43, s. 85."

Grave differences of opinion among lawyers existed as to the effect of the concluding words of this section. Some were of opinion that commercial paper discounted by the company meant only paper which could be considered commercial in the hands of the company, and did not include notes made by the

company itself. If it were not for the express power granted by the section with respect to borrowing, and the express limitation with respect to the amount to be borrowed, a trading company incorporated under the Act would doubtless have implied power to borrow money without limitation of amount, but as the express power to borrow with an express limitation upon it excluded any implied power which might otherwise have existed, it was thought that the company could not evade the positive terms of the section by going through the form of discounting its own note when it could not borrow the money directly by way of overdrawn account, or in some other manner not involving the form of discounting its own note. Others were of opinion that the commercial paper referred to in the section included all negotiable paper, whether made by the company or not, and they thought that the company could borrow to an unlimited extent by discounting its own notes.

Representations were made to the government some years ago on this subject, with a view of having the doubts arising under the section removed, and clear power given to the companies to borrow without limitation, it being represented that the amount of the actual paid-up stock of a trading company has no real connection with the amount which it may require to borrow in carrying on its business. It was not, however, until this year that any amendment was proposed by the government. The amendment might have been made more comprehensive in its terms, but it will probably work out all right in practice. In terms the amendment covers only moneys borrowed by the company on bills or notes; it does not in terms cover moneys borrowed by overdrawn account, or upon other securities than bills or notes. The exact effect of this may some day come up for decision. In the meantime it would be well for banks making advances to companies incorporated under the Dominion Companies' Act to see that bills or notes are taken therefor at the time of the advance.

The Ontario Joint Stock Companies' Act does not contain the same limitation with respect to borrowing powers. A company under that Act, if authorized by by-law passed by the directors and sanctioned by a vote of not less than two-thirds in value of the shareholders present in person or by proxy at a

general meeting of the company duly called for considering the subject of the by-law, may borrow money to an unlimited amount, unless the by-law limit the amount to be borrowed.

INTEREST

The next Act of importance is as follows:

"CHAP. 8

"AN ACT RESPECTING INTEREST

"*Assented to 29th June*, 1897

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

"1. This Act may be cited as *The Interest Act*, 1897.

"2. Whenever any interest is, by the terms of any written or printed "contract and whether under seal or not, made payable at a rate or percent- "age per day, week, month, or at any rate or percentage for any period less "than a year, no interest exceeding the rate or percentage of six per cent. *per* "*annum* shall be chargeable, payable or recoverable on any part of the prin- "cipal money unless the contract contains an express statement of the yearly "rate or percentage of interest to which such other rate or percentage is "equivalent.

"3. If any sum is paid on account of any interest not chargeable, pay- "able, or recoverable under the last preceding section, such sum may be "recovered back or deducted from any principal or interest payable under "such contract.

"4. This Act shall not apply to mortgages on real estate."

It was first introduced into the Senate by the Minister of Justice, and it appears from the debate during its progress through that house, that the Minister's reasons for asking legislation on the subject were because a case had been brought to his notice where a borrower had signed an agreement to pay a per diem rate of interest, which amounted to an exorbitant rate per annum, but which per annum rate did not appear upon the face of the agreement. The case came up in court, but the judge was unable to give the borrower any relief. Considerable agitation for legislation to prevent a recurrence of such a transaction arose, and representations were made to the government on the subject. The bill, as first introduced, contained an express prohibition against taking interest at higher than a certain fixed rate, but in committee the Minister, who in the meantime had received representations against the bill as introduced from the Bankers' Association and others, proposed

amendments, which were made, and the Act was passed as above. It seems sufficiently clear in its terms to require no special explanation.

SAVINGS BANKS IN QUEBEC

The only other Act passed by the Parliament of Canada requiring notice here is Chapter 9, entitled "An Act to amend "an Act respecting certain Savings Banks in the Province of "Quebec." It was introduced in the Senate towards the closing days of the session, and when first presented contained provisions of a character which the banks thought objectionable. Representations were made to the Senate on behalf of the Association, with the result that the objectionable features were eliminated. The Act, as passed, enlarges to an extent not considered objectionable, the powers of Savings Banks in the province of Quebec, respecting the investment of their moneys.

JOINT STOCK COMPANIES

In the province of Ontario one of the most important statutes passed is that relating to joint stock companies incorporated by letters patent. It takes the place of and consolidates the various Acts previously in force. The Act, which contains one hundred and five sections, is too long to be reviewed here. It is largely a consolidation of the previous laws, but contains some marked differences, most of which will doubtless be found to be improvements.

Section 104, however, deserves special notice. It provides that every company not incorporated by or under the authority of an Act of the legislature of Ontario, which prior to the 1st of November, 1897, carries on business in Ontario, having gain for its purpose or object, for the carrying on of which a company might be incorporated under the Act, shall on or before the 1st day of November, 1897, make out and transmit to the Provincial Secretary a statement under oath, showing the corporate name of the company, how it was incorporated, where the head office is, the amount of authorized capital stock and subscribed or issued stock, and the amount paid up thereon, and the nature of each kind of business which the company is

empowered to carry on, and what kinds are carried on in Ontario. Penalties are imposed if a company makes default in complying with the provisions of the section. The far-reaching nature of this section is probably hardly appreciated, and it would be well for banks to instruct their various agents in the province of Ontario to make its provisions known to those acting for companies doing business with the bank, and which have not been incorporated by or under the authority of an Act of the legislature of Ontario. The section does not apply to railway companies, insurance companies or loan companies, but it would apply to almost every other kind of company having gain for its purpose or object, carrying on business in Ontario, and for the carrying on of which business a company might be incorporated under the provincial Act. For instance, it would include companies incorporated (*a*) in Great Britain, (*b*) by the Dominion of Canada, (*c*) by any of the provinces of Canada before confederation, (*d*) by any of the provinces of Canada (except Ontario) since confederation, (*e*) by any foreign country.

MUNICIPAL SCHOOL ACCOUNTS

Owing to the difficulties, which of late years have manifested themselves with reference to the keeping and auditing of Municipal and School accounts, and to the losses which have arisen on account of the defalcations of certain treasurers, an Act was passed entitled "An Act to make better provision for keeping and auditing Municipal and School Accounts." The Act is declared not to apply to cities with a population of over fifteen thousand. Section 20 chiefly interests banks, and is as follows:—

"20. The manager or other person in charge of the business of every "chartered bank or private bank or company in which the treasurer of any "municipality or school board deposits moneys and keeps an account as "such treasurer, shall truly state the balance in the hands of the bank or "company or charged to the treasurer at any time when required so to do by "a member of the council or school board; and shall, on or before the fourth "day of the months of January, April, July and October in every year, make "up and deliver or send by registered letter to the head of the municipality "or chairman of the school board, as the case may be, a statement in writ-"ing signed by such manager or person in charge, showing the balance of "such treasurer's account at the close of business on the last day of the "preceding month, and the head of the municipality or chairman shall cause "the same to be read at the next regular meeting of the council or school "board held thereafter."

Penalties are provided for default in complying with the provisions of the Act, the fine being not less than five dollars nor more than twenty dollars, and costs.

Representations were made to the government on behalf of the banks with a view to modifying the imperative provisions of the section, and making the penalty for non-compliance accrue only if the information or statement required by the section were not given after a written request for it, thus showing that the default was intentional, and not the result of forgetfulness or oversight. The government, however, declined to alter the provisions of the section as it now stands.

WAGES AND ESTATES OF DECEASED PERSONS

The next Act requiring notice is "An Act respecting Wages and the Estates of Deceased Persons." This Act extends the present provisions of the law giving a preference for wages in case of an assignment for creditors, and provides that in the administration of the estate of a deceased person any person in the employment of the deceased at the time of his death or within one month prior thereto, shall be entitled to a salary or wages, not exceeding three months thereof, in priority to the claims of general creditors.

MARRIED WOMEN

Certain legislation of importance was passed with respect to the liability of married women upon contracts. This subject has had the attention of legislatures in most countries for many years past. Statutes have been enacted, evidently intended by those framing them to accomplish the result of enabling a married woman to enter into contracts as freely as if she were unmarried, and to give to those holding claims against her the right to recover those claims from any separate estate which she had or might acquire. Owing, however, partly to the difficulty and intricacy of the subject and partly to an apparent distaste on the part of the courts to construe the enactments in such manner as to give to the legislation the effect which was probably intended, the law was not, in Ontario at least, in a

satisfactory condition up to this year. By the legislation of last session the law seems to have been placed upon a satisfactory and permanent basis. Hitherto, in order that a married woman might be made liable upon a contract entered into by her, so that her separate property might be reached under the judgment, it was necessary to prove that at the time of entering into the contract she was possessed of some separate property; it was not sufficient to show that at the time the action was brought against her she had separate estate. If, however, she were possessed of separate estate at the time of making the contract, judgment could be recovered against her, and estate acquired at any time subsequently could be made available. The result of this was that a married woman without any property might incur an indebtedness of say $1,000; she might the next day acquire separate property worth $100,000, and yet it could not be made available for the $1,000; whereas, if she were possessed of separate property to the extent of say $100, her future acquired property could be made available for the whole amount. This was, of course, an anomaly, resulting from the peculiar wording of previous legislation, and from the decisions of the courts thereon. Now, however, every contract entered into by a married woman, otherwise than as an agent, binds her separate property, which at the time of making the contract she was entitled to, or which thereafter she should become entitled to, and it is not necessary to prove that she had as a fact any separate property when entering into the contract. The statute is as follows:

"CHAP. 22

"AN ACT TO AMEND THE MARRIED WOMEN'S PROPERTY ACT

"Her Majesty, by and with the advice and consent of the Legislative "Assembly of the Province of Ontario, enacts as follows:—

"1.—(1) Every contract hereafter entered into by a married woman, "otherwise than as an agent:

"(*a*) Shall be deemed to be a contract entered into by her with respect "to and to bind her separate property whether she is or is not in fact "possessed of or entitled to any separate property at the time when she enters "into such contract, and it shall not be necessary in any proceeding to prove "that she had as a fact any separate property at the time when such contract "was entered into, or subsequently;

"(*b*) Shall bind all separate property which she may at the time or "thereafter possess or be entitled to; and

" (*c*) Shall also be enforceable by process of law against all property " which she may thereafter while discovert possess or be entitled to ;

" (2) Nothing in this section contained shall render available to satisfy " any liability or obligation arising out of such contract any separate property " which she is restrained from anticipating."

Sub-section (*c*) was inserted so as to make clear a creditor's right to make available any property which might become the property of a woman after her husband's death.

OTHER ACTS

The Acts respecting Insurance were consolidated; also the Acts respecting Building Societies and other Loan Corporations, but no new provisions requiring special notice were enacted.

Z. A. LASH

WHY CANADA IS AGAINST BIMETALLISM.*

THE southern boundary of Canada and the northern boundary of the United States run together from the Atlantic to the Pacific Ocean for about 3,850 miles. Elsewhere, except in the north, where it meets Alaska, Canada is bounded only by oceans. It is the source from which the United States must procure many of the products of nature, especially those which grow only, or grow best, in a northern climate. On the other hand, because of the greater development of manufactures in the United States, and because they grow certain products which cannot be produced in Canada, the latter country must always buy largely from them. Although Canada, in common with almost all other countries, settles the final balance of its trading and financial operations in London, the more immediate clearing city for such operations in the case of both Canada and the United States is New York. If Canada requires to pay London in excess of the bills which are being created by Canadian shipments to Great Britain, or to other countries which settle through London, it buys the bills for such excess in New York. If Canada has more exchange on London than is required by her importers, the surplus is sold in New York. Gold coin is occasionally shipped back and forth between Canada and New York; but this is a less frequent method of settlement than by bills on London. Some of the Canadian banks have branches in New York, Chicago and other cities of the United States, and both the grain crops of the west and the cotton crops of the south depend largely on these banks for money with which to buy and transport them, while the foreign exchange market of New York would lose one of its most important features were the Canadian banks to withdraw their agencies from that city. Such being the intimate trading and

*Pamphlet No. 26 of the *Gold Standard Defence Association.*

financial relations between the United States and Canada, I wish to explain why Canada maintains so easily its position as a gold-standard country, and why its great and wealthy neighbour, the United States, also a gold-standard country, has been repeatedly threatened with the degradation of its standard from gold to silver.

When the provinces of British North America entered into the Confederation known as the Dominion of Canada, they resigned their powers in the matters of banking and currency, and these were assumed by the Federal government. There is, therefore, no conflict of authority on these subjects between the Federal and provincial governments. When the Confederation known as the United States was formed, the original States were anxious to retain as far as possible their sovereign powers. They therefore conferred upon the Federal jurisdiction certain defined powers only, including the power to stamp metal as money. All powers not thus specially conferred on the Federal jurisdiction remained with the States, and under this balance of power the States have the right to create banks. The Federal government also has power to create a bank as it has to create any business corporation; but, with the exception of the two semi-state institutions, called in each case the "Bank of the United States," the Federal government did not attempt to exercise this power until driven to do so by the exigencies of the war. In the United States since the war both Federal and State governments have continued to create banks, and neither is likely to surrender this power.

BANKING AND CURRENCY IN THE UNITED STATES

The first bank charters granted in the old province of Canada about 1820, were copied largely from that of the Bank of the United States, and until 1832 the banking systems in the two countries did not differ materially. Neither government had yet issued notes as money, and both left the creation of paper money to the banks, who were of course supposed to redeem in gold. In both countries banks were developing systems of branches, although the granting of charters by the several States instead of by the Federal government tended

to make the banks in the United States local in character instead of national, and the majority of these banks had no branches. There was, however, in the United States one bank, the semi-state institution, called the Bank of the United States, which transcended in importance all others. Its relations to the government on the one hand and to the mercantile community on the other were not very different from those of the Bank of England or the Bank of France. It issued notes, had branches in the chief cities through which it effected a reasonably satisfactory distribution of loanable capital, dealt largely in foreign exchange, borrowed money abroad when necessary to increase its loans at home, and acted as banker for the government. These were days when the commerce and land settlement of the country were fraught with unusual financial risks. Instead, however, of patiently studying the difficulties and gradually improving the system, the Bank of the United States became a political issue, and in 1832 President Jackson refused to renew its charter. The Bank of the United States continued to exist for some years under a State charter, but the Federal government, in pursuance of its policy, transferred its banking business, then very considerable in consequence of payments for land, to various State banks. The government, however, found before many years that these State banks, individually weak as to capital, were not satisfactory as bankers, and the idea of the government becoming its own banker, as far as possible, took shape in the present Treasury system. For many years after this period such banks, working under State laws, as endeavored to establish systems of branches were met with great animosity by the politicians who reflected the popular feeling that large banks were dangerous to the public welfare. Naturally the branch system did not thrive, and when the war broke out the inland banking business of the country was being done by a vast array of State banks individually weak as to capital, and having little power to cohere for any large financial transaction, while the foreign banking business was mainly carried on by private bankers.

Had the legislators of the United States carefully matured the system with which they began, there would have been in

existence at the outbreak of the war in 1861 great banks of international importance able to procure loans abroad and otherwise serve the government financially. But because there were no banks adequate to the situation, and because of the peculiar treasury system, the government, for the first time in its history, resorted to the issue of promissory notes intended to circulate as money. The first issue of these notes was payable on demand in coin, and was so redeemed, but suspension of specie payments followed within a few months, and the government began a series of experiments in paper money of which the existing residuum is that body of notes sometimes called " war legal-tenders " or " greenbacks," and amounting to about $346,000,000.

In order to aid in floating its bonds the Federal government in 1863 and 1864 passed Acts creating the national banking system, notwithstanding the strong opposition of the banks working under State laws; and in 1865, in order to make the new Acts effective for the purpose of the Federal government, a tax of 10 per cent. was levied upon the circulation of any bank notes other than National Bank notes—that is, upon the notes of banks working under State laws. Under this system any national bank, upon depositing United States government bonds with the Treasury, may issue notes, nominally the promises to pay of the bank, but of uniform design, guaranteed by the government, and possessing such qualities as currency that redemption by the particular bank of issue is practically not required. Thus the circulation of notes by the State banks was brought to an end, and there were practically no bank note issues left in the United States, the so-called " bank notes " of the National Banks being merely an enlargement of the paper issue of the Federal government. In this manner a nation at one time accepting the sound principle that the function of the government regarding currency was merely to certify to the weight and fineness of gold, silver, and other coined money, and that all credit instruments intended to pass as money should be issued by banks who would, by the circumstances of their business, be always able to issue enough, and yet, by the fact of daily redemption, be unable to keep in circulation too much, had now passed to the most dangerous of all theories regarding

currency. Thus the United States had accepted the theory that it was a proper exercise of power by a government to enforce by law the passage of any instrument as money, and while some only sought to excuse such action by the necessities of the war, others were ready to argue that the power to issue paper money should be enjoyed only by the government.*

PRESENT RESPONSIBILITIES OF THE UNITED STATES TREASURY

By following the incorrect principles above stated the United States treasury now stands deeply involved. The

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*NOTE by the author on the subsequent course of events:

At the end of the war it was found that the debt of the Federal government exceeded $2,800,000,000, of which only about $1,100,000,000 was funded, while of the remaining $1,700,000,000 as much as $1.540,000,000 was in treasury notes, and of these $684,000,000 were a legal tender. In this year, 1865, Secretary McCulloch and the House of Representatives both expressed the view that the issue of legal tender notes was a measure only justified by war, and that the currency should be contracted "with a view to as early a redemption of specie payments as the business interests of the country will permit." Some contraction followed, but in 1868 this course was arrested owing presumably to opposite views.

In 1869 (March 18th) a bill was passed "to strengthen the public credit." It pledged the public to pay in coin or its equivalent all obligations except where it was stipulated that payments might be made in "lawful money." It did not, however, pass, without strong opposition. In the preceding presidential election the Democratic party had pledged itself to the principle of paying *all* public debts in paper, and in pursuance of this policy Mr. Garrett Davis, seconded by Mr. Bayard, offered the following amendment: "That the just and equitable measure of the obligation of the United States upon their outstanding bonds, is the value at the time in gold and silver coin of the paper currency advanced and paid to the government on these bonds."

Again, in the 42nd Congress, which met in December, 1871, it was urged that a government as strong as the United States could issue fiat money enough to stimulate every industry, while violent prejudice was expressed to the national banks. The sounder element once more urged the resumption of specie payment at the earliest possible time.

Then followed the panic of 1873, and as a consequence when the 43rd Congress met there were more supporters of fiat money than ever. The amount of legal tender notes outstanding was $356,000,000, and in opposition to the policy of gradual redemption, the two Houses agreed upon a bill increasing the issue of legal tenders to $400,000.000, and increasing the limit for the aggregate of national bank notes by $56,000,000, so that altogether the paper currency might be increased by $100,000,000. No further reduction of the legal tenders was to be permitted. President Grant in a recent message had gone even further than this in the direction of inflation, but he now saw reason to change his mind and the bill was vetoed. This victory for sound money was followed in December, 1874, and in January. 1875, by the passage in both Houses of the "Act for the resumption of specie payments," which resumption was to take place in 1879.

At the time this seemed to be the end of a long fight between sound

issues for the redemption of which in gold the government is directly or indirectly responsible were at 1st December, 1896, as follows:—

Legal tenders authorized during the war	$346,681,016
Silver certificates issued under the Bland Act, which are legal tender for payments to the government	367,903,504
Legal tender notes issued for silver purchased under the Sherman Act	121,677,280
United States National Bank notes	235,398,890
Total	$1,071,660,690

From this it would be fair to deduct from one hundred to one hundred and fifty millions of dollars for cash held in the treasury.

Against this mass of paper money the Treasury is supposed to maintain a gold reserve of $100,000,000, but by repeated experience in recent years it has been seen that it cannot do this comfortably when trade relations make it necessary

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money and inflation, but the defeated politicians did not accept it as such. In the Presidential election of 1876 the leading issue was again the currency. Much doubt was expressed by the Democratic party as to the wisdom of the Resumption Act, while the Republicans reiterated the pledge contained in the Act, "to strengthen the public credit" already referred to, by stating in their platform that this "must be fulfilled by continuous and steady pro-"gress to specie payments." The most important legislation of the 45th Congress was the Act for the coinage of silver dollars. Some proposed that this should be at the ratio of 15½ to 1; others that the old parity in use in the United States of 16 to 1 should be observed. Mr. Boutwell strongly opposed making silver a legal tender, and thought that the United States should wait until action by European nations in favor of bimetallism had been secured. Others took an even stronger position, and doubted the possibility of establishing a double standard, urging that silver should be used only as subsidiary money. In his message of the 3rd December, 1877, President Hayes said; "If the United States had the "undoubted right to pay its bonds in silver coin, the little benefit from that "process would be greatly over-balanced by the injurious effect of such pay-"ments if made or proposed against the honest convictions of the public "creditors." Secretary Sherman in his annual report, about the same time, wrote as follows: "As the government exacts in payment for bonds their full "face in coin, it is not anticipated that any future legislation of Congress or "any action of any department of the government will sanction or tolerate "the redemption of the principal of these bonds, or the payment of the inter-"est thereon, in coin of less value than the coin authorized by law at the "time of their issue, being gold coin." But in opposition to the views of President Hayes and Secretary Sherman, Senator Stanley Matthews moved a concurrent resolution in the Senate, declaring that "all bonds of the United "States are payable in silver dollars of 412½ grains, and that to restore such "dollars as a full legal tender for this purpose, is not in violation of public "faith, or the rights of the creditor." A motion to refer this subject to the

that the country should ship gold. It is abundantly clear that the currency of the country cannot be placed on a sound basis until the government redeems at least a portion of the above paper issues, and until a new banking system is devised which will permit the issue by the banks of notes against their general estate—that is, not secured by the actual pledge of government or other bonds, and subject to daily redemption, so that the ebb and flow of the aggregate of such notes shall adjust itself automatically to the requirements of trade.

BANKING AND CURRENCY IN CANADA

When in 1792 the merchants of the chief city in Canada endeavored to establish a bank under legislative authority, they proposed that it should transact the business "usually done by similar establishments"—viz., to receive deposits,

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Committee of the Judiciary was defeated, and the resolution was passed by both Senate and House of Representatives, and proclaimed 28th January, 1878.

In November, 1877, at an extra session the House of Representatives passed a bill, offered by Mr. Bland, for the free coinage of silver dollars of 412½ grains, such silver dollars to be a full legal tender for all debts public and private. The bill was reported to the Senate in December, when Mr. Allison proposed an amendment to the effect that the coinage of dollars of 412½ grains be authorized to the extent of not less than $2,000,000, nor more than $4,000,000 per month, the seigniorage on all such coinage to be retained by the treasury. All efforts to increase the number of grains in the silver dollar, or to limit the legal-tender quality of silver as to amount, or otherwise to limit the operation of the bill, were rejected, and the Senate bill was accepted by the House of Representatives. Mr. Bland expressed his willingness to await an opportunity of passing a measure for free coinage at a later time, indicating the close connection between free silver and unlimited paper money by also saying, "If we cannot do that, I am in favor of issuing "paper enough to stuff down the bondholders until they are sick." The President vetoed the bill on the 28th February, 1878, but it immediately secured the required vote to pass it over his veto, and thus the well-known Bland-Allison Silver Bill became law.

The results of this unfortunate concession to unsound opinion, made just before the resumption of specie payments, it is unnecessary to enlarge upon here. The Sherman Act was suspended in 1893, under the pressure of a great commercial panic. In the Presidential election of November, 1896, one of the great political parties adopted as a plank in its platform substantially what was contained in the resolution which Mr. Bland induced the House of Representatives to pass in 1878, that is, that the United States should coin unlimited quantities of silver at the ratio of 16 to 1, without awaiting the co-operation of any other nation. As we have seen, the party advocating sounder views has been elected, and there is reason to hope that the agitation for the unlimited coinage of silver in the United States will not again reach serious proportions.

issue notes, discount bills, and keep cash accounts with customers. It was further proposed to open branches "to extend "the operations of the bank to every part of the two provinces "(now known as Quebec and Ontario) where an agent may be "judged necessary." Although there was at the time no law preventing the issue by private individuals of notes for circulation as money, the legislature refused to grant such powers to an incorporated bank. No charters were actually granted to joint-stock banks until 1820, but the two principles of (1) a note issue against the general estate of the bank—that is, not specially secured—and (2) systems of branches for the gathering and distributing of loanable capital, were recognized; and the new joint-stock banks soon opened branches and took their position in the business world as institutions having a national instead of a local character. It has been already stated that much of the detail in these first charters was copied from that of the Bank of the United States, and it is interesting to note that many of these features are retained in the present Act, unaltered except as to the phraseology by which they are described. In the early days, owing to the poverty of the country, and to inexperience, banking was subject to many vicissitudes, and the British authorities frequently sought to interfere. Although such suggestions were rarely accepted at the moment, they were often the cause of improved legislation at some later time, but we doubtless owe to the proposals of Lord Sydenham, referred to hereafter, the one serious blemish in our currency system.

In 1850, as a result of dissatisfaction in some portions of Western Canada with the facilities extended by the banks, a measure usually called the Free Banking Act was passed. Under it a bank might be organized with a very small capital, and might issue notes based upon the security of the bonds of the provincial government. This was an imitation of the National Bank system of the State of New York, from which also the banking system of the United States was largely copied. The old banks in Canada were not, however, forced to adopt the new system, and, as it was unsound in principle, it never gained headway, and in a few years came to an end. Lord Sydenham, as Governor-General in 1841 of the united provinces of Lower

and Upper Canada, had suggested a provincial Bank of Issue, the right to issue notes by the chartered banks to be cancelled, and suitable remuneration to be paid therefor. This was rejected by the people, and a similar proposal made in 1860 met the same fate. In 1866, however, owing to the pressure of the finances of the provincial government, an Act was passed authorizing the issue by the provincial government of notes payable in specie, and to be a legal tender to an amount not exceeding eight million dollars.

In 1867 the two provinces comprising Old Canada, together with the provinces of Nova Scotia and New Brunswick, were confederated as the Dominion of Canada. The new Federal government unfortunately did not abandon the issue of legal-tender notes. At the present time the maximum issue permitted of notes partially covered by specie is $20,000,000, and for all issues in excess gold must be held. Of the $21,600,000 outstanding at 31st October, 1896, $8,200,000 are in the shape of notes of denominations smaller than five dollars, bank issues being forbidden for such denominations. The remainder of the issue is mainly in notes of very large denominations held by the banks. The gold held by the Treasury Department at this date amounted to $10,000,000, nearly 50 per cent. upon the entire issue, or nearly 75 per cent. upon the large issues. The large issues are practically the only notes on which redemption in gold is from time to time required. The banking legislation in Nova Scotia and New Brunswick previous to confederation offered no difficulty to the adoption in 1870 of a General Banking Act, following the lines of the system in use in Old Canada. Under the new system the charter of each bank is renewed for periods of ten years, all charters expiring at the same time. The banks all work under the General Banking Act, and at the Parliamentary session immediately before the charters expire this Act is re-enacted with such improvement as time has demonstrated to be necessary.

The features with which we are mainly concerned are the note issue and the branch banking. A Canadian bank is permitted to issue notes intended for circulation as money, in denominations of five dollars and upwards, to the extent of its paid-up and unimpaired capital. No securities are specially pledged for such

issues. In the event of the insolvency of a bank each shareholder is liable for the debts of the bank to the extent of a sum equal to the face value of his shares. This is generally called the double liability. The note issues of a bank are a first lien upon all the assets of a bank, including this double liability, and prior to any lien of the federal or of a provincial government. To avoid a discount on notes in circulation at a point remote from the establishments of the issuing bank, every bank must arrange for the redemption of its notes in certain designated cities of commercial importance throughout Canada. And to avoid discount at the moment of a bank's suspension, or thereafter, because of doubt as to the sufficiency of the assets for this particular liability, the banks as a whole maintain in the hands of the Government a fund equal to 5 per cent. of the aggregate of notes in circulation, upon which drafts may be made if the assets of the failed bank are insufficient. The notes of a failed bank carry interest at 6 per cent. per annum from the date of suspension until the receiver advertises his ability to redeem. Had these features always been in force the past history of the country shows that no holder of a Canadian bank note would ever have suffered loss, and the people understand the security afforded so well that the note of a suspended bank passes without difficulty. The aggregate capital of the Canadian banks at present is about $61,700,000; the highest circulation during the past year was $36,300,000, and the lowest $29,400,000. It will therefore be seen that should an unusual expansion of the currency beyond the maximum named be suddenly required—a thing only theoretically possible in Canada—there is a reserve power to issue of about 70 per cent. It will also be observed that about 23 per cent. more notes are required to do the business in the active or crop-moving period of the year as compared with the dullest period. The average circulation for the past year was 50·76 per cent. of the paid-up capital. Not only was the required circulation supplied with perfect ease, but, what is of equal importance, it was forced out of circulation immediately it was not required.

The emission and redemption of these notes, the absorption of bank deposits and the making of bank advances, is effected in Canada by 37 banks with about 500 branches. There

is nothing new in this to the European mind, and it is introduced here only to mark the contrast with the United States. The result of the branch system is that the loanable capital is directly gathered where it can be found and directly lent where it is required. The rate to the borrower is neither subject to violent fluctuations because of panic nor to widely varying rates for geographical reasons, and the borrower with good security is able to borrow at fair rates, while the note issues afford a circulation both elastic and secure.

WHY CANADA IS NOT TROUBLED WITH A BIMETALLIC AGITATION

In conclusion, I wish to emphasize the following points:

a. The agitation in the United States in favor of the unlimited coinage of silver is simply the form in which the discontent with existing conditions is expressed by those who do not understand currency and banking problems. They see that something is wrong, and accept the suggested remedy largely because nothing else is proposed. The general fall in prices and the demonetization of silver have been used as arguments for the unlimited coinage of silver; but had the suggested remedy been unlimited fiat paper money, quite as valid arguments would doubtless have been urged.

b. Existing conditions regarding currency and banking in the United States are wrong, mainly because in the past politicians have regarded popular or untrained opinion. Had the legislators of the United States followed the old maxim, "hold fast that which is good," and as the time passed endeavored to make the good they possessed better, they would now have had a system of banking and currency not essentially different from those of England, France, Germany, Scotland and Canada. But the violent policy of Jackson led to the Treasury system, the ruin of branch banking, and the survival only of the weak State banks; and these conditions caused the issue during the war of non-interest bearing notes for use as money, which was followed by an agitation for fiat paper money, and later by an agitation lasting for twenty years, for the free coinage of silver.

c. Had the early banking methods been retained, and improved from time to time, there would now exist in the United

States many large banking institutions with branches, creating an automatic flow of loanable capital from the points where bank deposits accumulate to the points where loans are most required. There would also exist a paper currency issued only by banks, redeemable in gold, and capable of just the measure of expansion and contraction in the volume necessary for the comfort of trade. With an equitable rate of interest to the borrower, and a suitable and elastic currency, the silver-miners could never have caught the ear of the discontented.

d. The history of banking in Canada shows that a country may have a paper currency supported by a very slight percentage of gold provided the other reasons for its issuance are sound. During the seventy-five years of its existence, except for a few months in a time of rebellion (1837), the bank-note currency of Canada has always been redeemable in gold. With a sound and elastic currency, and a banking system which ensures an equitable rate for borrowed money, Canada naturally has practically no public discussion on the question of bimetallism except in the case of the few who imagine that they find a connection between the general fall in prices and the so-called demonetization of silver.

B. E. WALKER

THE FORESTRY QUESTION IN NORTH AMERICA

FOR a period of at least two centuries in the early history of North America trees were looked upon as the natural enemies of progress, to be cut down and destroyed in the speediest and most effectual way possible. And this was natural enough since a clearing had to be made in the primeval forest before the cereals and fruits necessary for civilized man could be grown. This process, however, has gone on at an accelerated pace from year to year in the ordinary process of settlement, until at last it seems to have dawned on a number of people who have given the matter consideration, that it has gone too far, and that its continuance must result in seriously impairing the fertility of large areas of land now under cultivation. So widespread has this feeling become of late that the closing years of the nineteenth century are witnessing a renaissance of forestry. The uses of forests in the general economy of a country are being studied as never before, and schools of forestry are being established in various countries, founded on those which have existed for many years in Germany and France to the great benefit of both countries. Forest influences on climate, rainfall, soil, etc., are attracting much attention, and the general opinion seems to be that their influence is highly beneficial, but a considerable time must elapse and close investigation be continued before a definite opinion can be pronounced. Enough, however, has been gathered from the most casual observation to show that the cutting away of timber on mountain slopes and about the head waters of rivers is highly injurious. Col. Fred. Bailey, R.E., university lecturer and director of the Indian Forest School, in his introduction to a course of forestry lectures, published in Edinburgh (1892), speaking of his observations made during a visit to the Southern French Alps, remarks : " Not only the trees and shrubs, but also the grass had

disappeared, so that the surface is no longer bound together by roots, and when the heavy semi-tropical rain falls directly upon it, the soil, and subsequently the loose rock, slip down into the valley below. The water, charged with these substances, runs off with great rapidity and suddenly fills the torrent beds. These latter soon become deepened by the 'scour,' when their sides, deprived of support, fall in, and the effect of this action going on throughout the whole system of water-courses which traverse the mountain sides, is that, over enormous areas, the upper strata of the soil, with its fields, houses, and even villages, are borne down into the valleys, and the whole region, which presents to the eye little but a series of black marl, has an extremely desolate appearance. But the damage does not stop there, for the debris is carried down to the comparatively level valleys and open country below, where it is deposited over fields, roads, railways and villages, thus doing an enormous amount of harm."

The evil consequences of deforesting certain districts of the country have become so evident to many people in the United States, that different States have not only appointed commissions of enquiry, but are moving towards establishing forest reserves, and acquiring for purposes of afforestation, areas of cut over and burnt over lands. But the most notable action was that taken by the government of the United States when, on February 15th, 1896, Mr. Hoke Smith, Secretary of the Interior, addressed to Prof. Wolcott Gibbs, President of the National Academy of Science, Newport, R.I., a letter requesting "an investigation and report of your honorable body, as is provided in the Act incorporating the National Academy, and by Article 5, Section 5, of its constitution, upon the inauguration of a national forest policy for the forested lands of the United States." The investigation was undertaken by seven members of the Academy, and their report was sent to Mr. Cornelius N. Bliss, Secretary of the Interior, May 1st, 1897. It would be difficult to speak in proper terms of the efficient manner in which this work was accomplished. In the opening chapters of their report they discuss "The Conservation of Forests," treating of the forest administration in foreign countries with the object of showing, in the light of history and practical experience,

what it means to go too far in any country in cutting down the forests, and they show that the danger line has been passed in the United States. They urge that the preservation of the forests of North America is essential for the profitable and permanent occupation of the country. So impressed were the committee by their investigation through the Western States and Territories, with the importance of forest reservation, that they recommended that, in addition to the 17,500,000 acres established prior to 1894, thirteen additional forest reserves should be provided for, with a total area of 21,378,840 acres, roughly estimated. This recommendation was immediately adopted by the Cleveland administration, but the legislation in the matter has been suspended, and the bills proposed by the committee have not yet passed into law.

The report sets forth the terrible devastation which has been going on in the public forests of the United States, except the few under military rule where detachments of troops are employed. Forest fires and nomadic sheep husbandry are the two main causes of the destruction of these western forests. "Fires are particularly destructive to the forests of western North America. They are composed almost exclusively of highly resinous trees, which, when they grow beyond the influence of the moisture-laden air currents from the Pacific, ignite easily, and burning fiercely on the surface, are quickly killed, while the flames sweep forward, leaving standing behind them the dead, although unconsumed, trunks to furnish materials for later conflagrations and to intensify the heat."

Fires are often commenced by prospectors in search of minerals, who do not hesitate to fire the forests in order to lay bare the rocks to help their search. Illegal cutting of the unreserved forest lands of the public domain has also been a source of great loss to the nation. The record of waste and maladministration covered by the report is appalling, and calls for the early attention of the people and government.

While the report is most valuable, it is limited in its scope, by the instruction of the secretary, to the forested lands of the public domain, which lie in the western territory. A cognate question, and one equally interesting, is that pertaining to forestry problems in the older States. In

these States various commissions have been appointed within recent years to consider the matter, and some of them are buying back territory which had passed out of their hands, and establishing forest reserves in a limited way. The policy of the different States has been to sell the lands, and allow the purchasers to cut down the forests at their pleasure, so that now the New England States, with the exception of Maine, and the great central States like New York, Pennsylvania, Ohio, and Indiana, have largely to depend on other localities for their merchantable timber. The mixed forests of hardwood and coniferous trees in New York State have all been cut long ago, except in a region in the Adirondack Mountains, and even Michigan, with formerly such a marvellous growth of the much-prized white pine, is now bare of timber. Cutting timber in Michigan commenced over half a century ago, and when the contiguous prairie States were in the course of settlement, the timber was lavishly cut for their use. This went on at an increasing rate until 1880, when the tremendous development of the treeless States west of the Mississippi, the building of railways, etc., which ensued, in a few years swept nearly the whole of the vast reserves of Michigan into its vortex, until there is now not a single mill on the east coast of the Michigan peninsula with sufficient white pine to keep it running. The wholesale cutting of the timber has left many sections treeless wastes without any provision for reforesting, and the State is powerless to commence any scheme of reforesting without buying back the lands. The rapidity with which this State was denuded of its magnificent forests of white pine can be understood when it is stated that the cut of timber increased from 788,318,000 ft. in 1878 to 1,413,631,089 ft. in 1890, and decreased to 513,585,298 in 1896, of which 265,234,314 was from Canadian logs. No doubt large fortunes were made by the owners of pine stumpage during this era, but wasteful methods obtained, and now there is nothing left in many localities but idle mills and dilapidated towns and villages. In some districts it is a melancholy sight to see old mills and tramways falling from decay, whereas, if conservative methods had been followed, the forests could have been reproduced, and the industry continued, to the great benefit of the State. It is now estimated by experts that there is no more white pine timber in the

State than, at the rate of cutting in the halcyon days of the eighties, would suffice for one year's work. There is no doubt still a considerable quantity of hemlock and the hardwoods, but the old days of profitable work for the employees, and great fortunes for the owners, are gone for ever. There are large sections of this State where white pine, had it been preserved, and a proper system of forestry maintained, would be the most profitable thing the soil could produce, but it is now a question what to do with the sand flats and gravel ridges. It will involve many years of great care and labor before these regions can be reforested. The only two States where a considerable quantity of the invaluable white pine remains are Wisconsin and Minnesota, and they are fast sharing the fate of Michigan. No doubt there still remain to the United States great forests of coniferous trees in the south, but they are far from northern centres of trade, and lack the unsurpassed qualities of the white pine of the north. Besides, their products will be largely required for the new development going on in the southern and southwestern States of the Union, so that a timber famine may be almost said to be within sight of the once magnificently timbered northern tier of States. What this means in questions of climatology, and the denudation of soil carried down by floods every year to the Gulf of Mexico, is only beginning to be dimly discerned by the inhabitants of these regions.

Turning to the Dominion of Canada, we find that the same system of cutting timber as in the United States has hitherto prevailed, with some notable exceptions. The older portions of the Dominion have followed the example of the United States. In the early history of the country trees were looked upon by the settler as an encumbrance. The hardwoods in Ontario and Quebec were cut down and burned, while the white pine was cut in a wasteful manner, and marketed either as square timber in Great Britain or as sawn lumber in the United States. In the valley of the St. Lawrence river marketable timber has disappeared (except spruce, which has recently come into demand for pulp), and the main industry of cutting white pine is carried on near the sources of the Ottawa river and its tributaries. The industry is still in a flourishing condition, but lumbermen are beginning to be concerned about

the future supply of logs, and forestry questions are being discussed. In older Ontario along the Upper St. Lawrence, and on the shores of lakes Ontario and Erie, with their tributary streams, fine forests of mixed white pine, maple, oak, elm, etc., once stood in their primeval grandeur. This section of Ontario, stretching from the mouth of the Ottawa river to Cabot's Head, on the Bruce peninsula, is one of the most favored parts of North America for topography, soil and climate, and sustains a well-to-do, industrious population. It was all thickly timbered, but a strenuous warfare has been waged against the trees. Mr. Thos. Southworth, Clerk of Forestry for Ontario, in his second valuable report issued this year, gives some instructive statistics as to the proportion of woodland to total acreage in the old settled counties, and dwells upon the fact that the farmers have not hitherto shown a proper appreciation of the desirability of replanting. In the county of Middlesex, in the western district, the total acreage is 757,522, with 153,825 reported as woodland, or 20.3 per cent.; the county of York, in the central district, comprises 536,621 acres, with 38,040 woodland, or 7.1 per cent.; in the east, Frontenac has 673,561 acres, with 81,662 woodland, or 12.1 per cent. The percentage of woodland in France is 17, in Germany 26, Spain 7, Holland 7, British Isles 4.

The forestry problem in Ontario and around the basin of the Great Lakes is altogether different to that presented in Central North America, or the Mississippi river valley, with its great tributaries draining a vast area with no natural reservoirs. The Mississippi valley is subject to alarming floods, and millions of tons of the soil are scoured away every year. In Canada, in the neighborhood of the lakes the drainage area is much smaller. About Lake Superior, for example, the height of land is nowhere at any great distance from its shores, and the lake is almost surrounded by rivers flowing to the north and west. The Great Lakes form natural reservoirs, which by their immense area prevent the rush of spring freshets, and maintain a more equal flow the year round, so that the question of forestry in Canada is not so pressing, although still of great importance, and may be considered more from its economic standpoint. If the farmers could only be educated to plant every hill and hillside of their farms, and all their waste corners, with

trees, it would not only be a source of income better than any other, but would be of immense advantage to the country generally, and there would then remain only the question of that great ridge of hill country known as the Laurentian Range, stretching from near Ottawa to Rat Portage. It is on this ridge in the basin of the Ottawa river, and on the Georgian Bay and its tributaries, that the merchantable white pine is now cut. It may be looked upon as a fortunate thing for Canada that the policy of the government has not been the same as in the United States, where the land was sold and the timber with it. The right only to cut the timber under license on Crown lands was the law and custom before Confederation, and has been continued by the different provinces since that time, so that the provincial governments are in a position where they could commence at once to reforest cut-over lands. Almost all the white pine of the Dominion stands in this district, which in many places is of a particularly broken and hilly aspect. A considerable portion of it has been sold for settlement, and prosperous farmers are living within its limits in Ontario, back of the counties of Hastings, Peterboro', Victoria, and also in Muskoka, Nipissing and Algoma districts, but the great bulk of the country is still within the control of the government. According to a return laid before the provincial assembly in 1893, Ontario had under license to lumbermen 21,000 square miles of pine lands, and 24,410 square miles of such lands estimated as unsold, this being exclusive of 89,000 square miles north of the height of land which has little pine but a large quantity of spruce. In this great area under license, as the timber is cut some of the land passes into the hands of settlers, but a large proportion is not fit for settlement, and it has suffered the fate of being burnt over, leaving an unsightly wilderness of dead trees and charred stumps.

If the average lumberman were asked what should be done with this area of rocky and broken land after fire has passed over it, his answer probably would be that it is useless. On these lands a crop of young poplar, birch, and other deciduous trees useless for the lumberman, immediately springs up, but closer investigation shows that after the poplar, etc., has covered the ground, young pine principally, but also spruce and other conifers, appear, and having the shade afforded by

the previous growth and also the open air, the exact conditions for reproducing a valuable pine forest are fulfilled. There commences then a struggle for existence amongst the new growth which can only end in one way: by the conifers, in such favorable circumstances, asserting their superiority, and finally killing out the growth which sheltered their young life and provided the conditions under which they could grow into valuable forest trees. In districts where the fire has been kept away pine forests in all stages of growth can be seen, a perfect object lesson to any student of forestry. To preserve this young pine a strict system of fire protection is necessary, and it is here that the wisdom and foresight of the Ontario government has shown itself. A system of fire ranging has been established, which only requires to be enlarged and brought under strict discipline to be perfectly effective.

The rate of growth of young pine has been variously estimated, but under ordinary circumstances in Ontario, it is safe to say that a 10-inch butt log can be grown in 40 years, when it would attain a market value. After 40 years it will probably grow at the rate of 2 inches in ten years, making it 12 inches at 50 years, and the rate of increase in diameter would still further lessen as the tree got older; at 65 years it would produce a butt log of 14 inches, and two others, giving 180 feet from the tree. After the age of 65 years the tree will grow at the rate of $3\frac{1}{2}$ or 4 per cent. per annum. As to what an acre will bear under proper forestry regulations, there is first to be considered what quantity of logs fit to be cut it will sustain which are in a position to earn interest by their growth, and also have a sufficient quantity of young pine coming forward to take their place when cut down. Without saying what it is possible for a forest to produce, any practical woodsman will agree that 100 logs per acre would be a moderate amount in a thrifty forest, averaging say 80 feet per log, or 8000 feet per acre, which at $3\frac{1}{2}$ per cent. average growth, would only be 280 feet board measure. This seems ridiculously small when compared with $59\frac{1}{2}$ cubic feet given as the annual increase in a New Hampshire forest by the United States Division of Forestry. But what does an increase of 280 feet mean?

It means 70 cents per acre per annum,* and if two-thirds only of a township be taken as fit for cultivation, leaving one-third for rock and water, the result is: 15,360 acres at 70 cents = an increase of $10,752 per township per annum. The net revenue derived from German Crown forests, after paying all expenses (which were over 50 per cent. of the net product), was in 1893, $1.33 per acre.

Under ordinary circumstances and natural conditions the increase in the growth of young pine trees standing side by side may be extremely variable. It sometimes happens that a tree begins life under such unfavorable auspices that it only increases its diameter one inch in twenty-five or thirty years; when suddenly, by some forest event, favorable circumstances supervene and a new growth commences, showing an increase in diameter of one inch in it may be every four or five years. In a second growth pine or mixed forest a common sight is a clump of vigorous trees with their bushy crowns at the full height of the forest, making the normal growth, and interspersed with them here and there a poor relation, stunted in his growth, denied his fair share of nourishment, living in the shadow of the others, not making a quarter of their progress, struggling upwards, but finally dying in the attempt. A veritable struggle for existence is going on in every forest, the poorer varieties and the weaklings of the dominant species all keeping up the fight with great tenacity but sad economic waste.

The question of economy in sylviculture calls for the closest investigation. A profitable means of utilizing the saw mills' bye-product as well as the varieties of timber not suitable for lumber, and the thinnings, has yet to be found. In Germany and France by reason of their dense population the coppice can be thinned out and sold with profit to the operator, but in Canada with the great area and sparse population of the forest country the case is very different, and if reforestation is to be undertaken on a wealth-producing basis, provision must be made for cutting out the less valuable and superfluous growth from time to time, and giving it a value either through cheap chemical reduction to pulp or otherwise.

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*At the rate of $2.50 per thousand feet B.M.

The most valuable tree in all the region spoken of is, of course, the white pine, which for lightness, strength and durability has no equal. For climatic reasons apparently it extends only a short distance beyond the northern height of land, but within its own area it is supreme, and may be seen growing either in the crevices of the rocks, on the wind-swept hill-top, or in the fertile valley. Its winged seed is easy of dissemination, and it is more desirable that proper receptive conditions for the seed should be cultivated than that young seedlings should be replanted (which would entail great and unnecessary expense) unless in some exceptional localities. The tree is rather irregular in its production of cones (the present being a seed year of great promise), but that it has such powers of reproduction over wide areas is a fact of great significance to the people of Canada.

The Ontario government have set apart as a government reserve the Algonquin Park, having an area of 1,109,383 acres. This is a step in the right direction. It should be followed up by a strict examination of all timbered territory, and all the land fit only for forest growth should be placed in the same position, with proper restrictions as to cutting, and a complete system of fire ranging. The forestry question for Ontario at least would then be solved, and by-and-bye an immense income would be poured into the coffers of the province.

Canadians are still unable to grasp the significance of their heritage. They have, north of the height of land in Ontario and Quebec, a still unbroken wilderness covered mainly with spruce fit for the saw and pulp mill. As the world's supply of sawn lumber and pulp wood decreases, the shores of the Hudson Bay and Labrador will resound with the hum of machinery, and the world's supply of spruce timber will be sent forth from that northern country; and as spruce reproduces itself quickly, it will, with good judgment and the institution of a proper forestry policy, forever remain a mine of wealth to the country.

JOHN BERTRAM

September, 1897

MEMORANDUM AS TO THE COST OF COLLECTING CASH ITEMS, SIGHT DRAFTS AND BILLS DISCOUNTED

AT a meeting of the Executive Council of the Association held in Montreal in April last a memorandum was submitted by one of the banks covering an estimate of the cost of making collections, taking into account interest, postage and other expenses. It was recommended that copies of this memorandum should be printed for distribution among the banks, preparatory to a full discussion of the subject at a later date, and that a *précis* should be printed in the JOURNAL. This latter is now given following:

GENERAL NOTES

In the schedules given below, respecting the cost of collecting items, the only considerations dealt with are interest and the actual out-of-pocket expenses, such as postage and collection charges. No account has been taken of the important bearing which the questions of labor, stationery, and risks involved, have upon the matter, to cover which it will be necessary to impose such additional charges as, in the judgment of the manager, will compensate therefor. It is not possible to state positively what the actual average cost of collecting individual items is, but the following estimates will probably be accurate enough for all practical purposes:

INTEREST

a. One day's interest, at least, is lost on all cheques cashed drawn on a bank's own branches.

b. Two or three days' interest is lost on cheques cashed drawn on other banks and payable at Clearing House points.

c. Two or three days' interest is lost on cheques cashed drawn on other banks payable at points where the remitting bank has a branch.

d. Four or five days' interest is lost on cheques cashed for which a draft is remitted in settlement.

The average time for which a bank loses interest on cheques cashed may therefore be put at three days. On a cheque for $100 this would amount, at 6%, to .05c.

POSTAGE

The average postage paid in connection with a cheque drawn on an out-of-town point may be estimated at .02c., taking into account, (1) that the postage on letters containing such cheques is divisible on an average among several items, and (2) that postage has frequently to be paid on the remittance in return. This latter may be regarded as a charge in connection with such a cheque, as its owner renders free service of the same kind in return.

CHARGE FOR COLLECTION

The usual rate paid by banks to one another for collecting items is $\frac{1}{10}$ of 1%, minimum 10c. Many banks have arrangements under which they are able to collect at par at certain points, but as these banks are required to reciprocate without charge, or to give some other equivalent, the cost of collecting in such cases is not annulled but simply paid in another way. A certain proportion of all demand cash items (varying according to the size of the bank), would, of course, be payable at the bank's own branches, and no commission would be paid for collecting.

DISTANCE

The examples and estimates herein apply only to places which are distant from each other not more than say 24 hours by rail, i.e., where items can be presented not later than the morning of the second day following their encashment.

In all other cases, such, for instance, as between points in Ontario and the maritime provinces and vice versa, and between points in Ontario or Quebec, and Manitoba or British Columbia and vice versa, etc., allowance must be made for the length of time the items are likely to be outstanding.

SUMMARY OF AVERAGE COST OF COLLECTING DEMAND ITEMS

	Item $100	Item $400
Loss of Interest (3 days)	.05	.20
Postage	.02	.02
Charge for collection	.10	.40
Total	.17	.62
On basis of charge to customer of ⅛% (min. 15c.) there would be an actual loss of	.02	.12
On basis of charge of $\frac{3}{16}$% (min. 20c) there would be a profit of	.03	.13
On basis of charge of ¼% (min. 25c.) there would be a profit of	.08	.38

SIGHT DRAFTS AND BILLS DISCOUNTED

The figures already referred to as representing the cost of postage and charge for collecting are applicable also in the case of sight drafts and bills discounted, although the average cost of collection is somewhat greater than in the case of cheques, for the reason that a greater proportion of cheques cashed are payable at places where the bank has a branch, than is the case with sight drafts and discounted bills. A variation is necessary, however, in the figures representing interest. The average loss of time in receiving returns for a sight draft can be put at about eight days (Sunday intervening), viz., two days from date of encashment until presentation, two days in which drawee may hold, three days of grace, one to two days for returns to be received.

The average loss of time in receiving returns for a discounted bill may be put at about two days, as interest is always received up to date of payment.

SUMMARY OF AVERAGE COST OF COLLECTING SIGHT ITEMS AND BILLS DISCOUNTED

Item, $100	Sight	Disc'd Bill
Loss of interest (8 days)	.13	
Loss of interest (2 days)		.03
Postage	.02	.02
Charge for collection	.10	.10
Total	.25	.15

Item, $100	Sight	Disc'd Bill
On basis of charge to customer of 1/8% (min. 15c.) the result would be a loss of	.10	(Neither loss nor gain)
On basis of charge to customer of 1/16% (min. 20c.) the result would be a loss of	.05 (gain)	.05
On basis of charge to customer of 1/4% (min. 25c.) the result would be	(neither loss nor gain.)	(gain) .10

It will be seen that while a charge to customers of 1/4% (minimum 25c.) produces a moderate profit for a discounted bill, there is no margin at all for a sight draft, and the charge for the latter should really be 1/2% plus interest from date of encashment until payment is received. As the item of interest plays such an important part in the cost of collection of a sight draft, it follows that the smaller the amount of the item under $100 the greater is the profit where a minimum charge is adhered to.

The fact should also be kept in mind that, as a rule, there is a great deal more trouble and labor involved in handling sight items than is the case with cheques and discounted bills.

THE SELECT COMMITTEE ON BANKING AND CURRENCY OF 1868

EXCERPTS FROM THE MINUTES OF EVIDENCE

ON the 14th April, 1868, on the proposal of the Hon. John Rose, Minister of Finance, the House of Commons appointed a Select Committee on Banking and Currency, to investigate the defects of the banking system of the country and recommend a means of improvement.* The Committee drew up a schedule of twenty questions for submission to leading bankers, merchants and others throughout the Dominion, and to these questions replies were received from :

Thos. Paton, General Manager, Bank of British North America, Montreal.
Hugh Allan, Montreal.
H. Stephens, Montreal.
Jackson Rae, Cashier, Merchants' Bank, Montreal.
Jas. Stevenson, Cashier, Quebec Bank.
F. Vezina, Cashier, La Banque Nationale, Quebec.
T.Woodside, Cashier, Royal Canadian Bank, Toronto.
R. J. Cartwright, M.P., Kingston.
Hon. Isaac Buchanan, Hamilton.
Adam Hope, Hamilton.
H. S. Strathy, Acting Cashier, Canadian Bank of Commerce.
G. Hague, Cashier, Bank of Toronto.
Ottawa Board of Trade.
Guelph Board of Trade.
Brantford Board of Trade.
W. S. Stirling, Cashier, Union Bank, Halifax.
Peter Jack, Cashier, People's Bank, Halifax.
J. W. H. Rowley, Cashier, Bank of Yarmouth (N.S.)
Thos. Killam, Yarmouth (N.S.)
Hon. R. D. Wilmot, Belmont, New Brunswick.
J. D. Lewin, President, Bank of New Brunswick.

*The circumstances under which the Committee was appointed are fully dealt with by Dr. Breckenridge in *The Canadian Banking System* 1817-1890. (See p. 336, vol. II, of the JOURNAL).

The text of these questions (with the exception of the 1st, 15th, 19th and 20th, which were unimportant) is set out in the succeeding pages, together with excerpts from the replies received:

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QUESTION 2.—*State your views on the Banking system obtaining in the late Province of Canada, as well as in the provinces of Nova Scotia and New Brunswick respectively; and whether in your opinion, it has been conducive to the development of the material interests of the country?*

MR. PATON.—I consider that the circulation should be secured by Provincial Debentures lodged with Government (see reply to Ques. 6), and that the number of Branches or Agencies which a bank is permitted to establish should be limited, and in proportion to its paid up capital. The amount of the cash reserves, as compared with the liabilities, is not regulated by the present charters, which has a tendency to induce dangerous and imprudent expansion. This should be remedied, and the statements furnished to Government might be more in detail.

The banking system of the Dominion has certainly been conducive to the development of the material interests of the country. The failure of two of the largest banking institutions of the province, and the evils which have resulted therefrom, ought not to be attributed to the system under which the banks were organized, but to a disregard of the correct and legitimate principles which ought to govern the management of all banking institutions, and which, if disregarded, will surely result in misfortune and disaster, however perfect the system may be.

MR. ALLAN.—The system of banking which has hitherto obtained in Canada has doubtless been in the highest degree beneficial. Under it the material interests of the province have been developed in an extraordinary degree, and all classes have prospered; and I believe no legitimate enterprise, based on sound principles, has suffered from the want of banking accommodation.

Fewer failures of banks, in proportion, have taken place in the province during the last thirty years, than in any other country that I know of, where an equal amount of business has been done; and what failures have taken place, have not been occasioned by any fault of the system of banking, but in consequence of mismanagement on the part of those to whom the rule was intrusted.

MR. STEPHENS.—If the Government does not adopt the security principle for the bank note circulation (which I must regard as preferable to any other) the present system of banking in the Dominion of Canada would be my second choice, as possessing many valuable provisions in their charters, particularly the double liability clause in the Act, if you add an amendment to enforce its operation when necessary. In other respects little objection can be made, except to disapprove of allowing banks, at their pleasure, to establish in different parts of the province agencies under the control of a single manager. This, in the first place, is an unsafe and hazardous mode of transacting banking business under the control and discretion of one person, and, at the same time, an unfair competition with and an encroachment upon the just rights of other localities, which are much better qualified to administer, through their own selection of directors, their banking business, with special reference to the safety of the bank and the material interests of the district. I am clearly of opinion that the present system has been greatly to the advantage of the material interests of the country, although I believe greater prosperity and more rapid advancement could be obtained under a free banking law, diffusing the banking facilities more generally throughout the country.

MR. BUCHANAN.—The "Royal Instructions" from Downing Street have prevented what I have long seen to be essential to a sound system of commerce or banking or currency in Canada, viz.: that the character of the legal tender should be changed from being a fluctuating, because exportable commodity, to be an emblem—secured by gold, but not the gold itself—gold notes, in fact. The banking system in Canada being one of large banks, with paid-up capital and double responsibility, has, I think, suited the country in the past, and been all that a system could be, in the circumstances, under a hard money system. It is clear, however, that the importations of foreign labor in the shape of goods, have been stimulated by it, to a much greater extent than it had the opportunity to stimulate Canadian labor in the shape of exports—seeing that, like the Northern States of the adjoining Union, Canada has not, and never, as a northern country, can have, considerable exports which will pay to send to Europe.

MR. HAGUE.—The banking system of the late Province of Canada is based on the only sound principle on which banking should be carried on, viz.: the obligation to pay all liabilities in gold, and the systematic enforcement of this obligation by a regular system of exchanges between the banks. Without the last, the first amounts to little more than a theory; with it, the immense advantage is gained of a practical test of convertibility.

It has given to Canada a currency uniform in value over a widely extended territory, independent of political fluctuations, and constantly redeemable in specie. It has also rendered the small amount of active capital possessed in a partially developed country, available to the utmost extent possible. No person acquainted with Canada can doubt that its banking system has been conducive to its material interests in a very high degree, and it is the opinion of many, who are conversant with the matter, that no other system would have been equally beneficial.

MR. JACK.—It is generally supposed that the Dominion Government contemplates the introduction of a radical change in the system, either by declining to allow the banks to issue their own notes, and substituting for them Government notes; or by compelling the banks to base their issues on Government securities. The plea for this great change is that thereby the security to the holders of notes will be greater than it is at present. Behind this there lurks the assumption that the present system has proved a failure. To warrant such a sweeping and fundamental change, it ought to be clearly proved that the holders of notes in these Provinces have suffered severely through the failure of the banks to redeem their notes when required. It might be supposed that several banks have failed, and that at some time or other there has been a suspension of specie payments. But such has not been the case. Under the present system of bank charters one bank only has failed in Canada and another suspended but has paid in full, while in Nova Scotia no bank has ever failed. The banks too, have always paid their notes in gold on demand. During times of panic and great commercial depression, when the banks in the neighboring republic, many of whose issues were based on Government securities, were compelled more than once to suspend specie payments, the banks in the Provinces, whose issues were based on specie, promptly met all demands in gold. All through the crisis of 1857, although considerable pressure was brought to bear upon them to induce them to follow the example of the banks in the United States, they maintained their notes of the same value as gold. Their note circulation has thus been proved to be, both in times of pressure and ease, quite secure; as secure as it is possible to make it by any extraordinary legislative enactments, and as secure as any Government note circulation can be; and while the public have not been losers, they have been considerable gainers by means of it. It may be that if banks were to fail—and one out of the large number in existence has failed—there would be some loss to note-holders, but this could easily be prevented, by making the

notes a first charge on the assets of the bank. In the event of failure there must be delay under any system, but by simply making the proposed change, perfect security would be given to holders of notes, without utterly deranging the business of the country, as must inevitably be the case if the proposed change is ever made.

Messrs. Stevenson, Rae, Vezina, Woodside, Cartwright, Hope, Strathy and Lewin replied in the affirmative to the latter portion of this question. Messrs. Rowley and Wilmot expressed the opinion that the system did not afford sufficient facilities for the development of the country's resources.

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QUESTION 3.—*Do you favor the system of a direct issue of Government Notes as a circulating medium for Canada, or that of having circulation based on Government securities, but issued to the public otherwise than directly by the Government? State what plan or system would, in your opinion, be the best adapted to the wants and interests of the Dominion, and give the outlines of the plan you would recommend. State particularly what percentage of specie, under any system, ought to be retained for purposes of redemption; and if any, what in proportion to deposits?*

MR. PATON.—I am favor of a circulation of Bank notes based upon and secured by Government Debentures, thereby giving the public the security of the bank issuing the notes together with that of the Government. I would recommend that, after the expiring of the present charter, say four years, the circulation of every bank in the Dominion shall be guaranteed by deposit with the Government of the 6 per cent. stock of the Dominion to be taken at 90, or if bearing 5 per cent., at a proportionally lower rate, interest on the Debentures being being paid to tht Banks depositing such debentures.

MR. STEPHENS.—The Bonds of Canada and the Provinces composing it, should be the only security accepted by the Government to secure the Bank-note circulation of the Dominion. As this gives perfect security to the Bill-holders, it would be well to provide for the semi-annual publication of the names of the shareholders of each bank, for the greater security of the depositors, as, under this system, the credit of the institution would be supported, in a great measure, by the wealth and respectability of its shareholders.

MR. RAE.—I think the issue of bank notes, under certain restrictions, as a circulating medium, better adapted to the wants of the Dominion than that of either a direct or an indirect Government issue.

MR. STEVENSON.—The wants and interests of the Dominion, are, I think, reasonably well served by the existing system of banking, which, except in one or two instances, where its principles have been widely departed from, has been found to furnish a trustworthy convertible currency, which has admitted of expansion during seasons when an increase was required, and has been withdrawn with ease and safety.

MR. VEZINA.—I prefer the present circulation of the incorporated banks of the country, based on gold, or in part on gold and in part on Government securities.

MR. WOODSIDE.—The system which has hitherto obtained in Canada is that which, in my opinion, is best adapted to the wants of the Dominion.

MR. BUCHANAN.—I would recommend that each bank should give up its gold to the Government, receiving inconvertible legal tender notes of the Government for the amount; and that with the amount the Government should buy British consols, accounting to each bank for the interest accumulating on these after a margin of ten per cent. has been laid aside.

MR. HOPE.—I am in favor of a direct issue of Government notes as a circulating medium for Canada. The coining of money, or the making of paper to represent money, is a power that should belong only to the State, and should not be entrusted to private individuals or corporate bodies. Government alone should issue paper money, *and only in exchange for gold*, and such paper money in the hands of the public should be, in fact, a receipt to the holder thereof for so many grains or ounces of gold in the same way as a warehouseman's receipt is for so much wheat or other produce, and the *thing* for which the receipt is given should be (to the holder of such receipt) forthcoming on demand at the place of issue. In my opinion, therefore, there should be established a Government Bank of issue, confined in its operations exclusively to the issue of paper money to corporations or individuals for circulation or otherwise, and only in exchange for gold, and such paper money should be *legal tender* in all transactions throughout the Dominion, but redeemable in gold on demand at the bank of issue. It should retain at all times in its vaults a reserve in gold of not less than *one fourth* the amount of its issues, and occasionally increasing this reserve when any apparently temporary demands arose for its paper in the autumn, or at any other periods of the year.

All other banks should be merely what are called banks of deposit, confining their transactions to the receiving of deposits, the loaning of money, and dealing in exchange and other negotiable securities. Such banks should be compelled to hold gold or Government notes for not less than one-fifth of their deposits, and should receive a percentage on the average amount of Government notes held in their vaults, and should be allowed to collect whatever rate of interest they agree for. All restrictions on the interest of money should be swept away.

MR. STRATHY.—The system of banking prevailing in the late Province of Canada, prior to the passage of the Legal Tender Act, with some slight modifications as additional safeguards, is much better suited to the requirements of the country, and more especially to the province of Ontario, where an expanded circulating medium at certain seasons of the year is indispensably necessary for the removal of the crops. I think the circulation of banks should be a first lien upon their assets, and the double liability of the shareholders should be made available within a reasonable time, say a twelve-month after suspension, without waiting to realize upon assets, which may be a work of years.

MR. HAGUE.—I do not view with favor the proposal to compel the banks to buy Government securities to an amount equal to or larger than their circulation. Such a measure would involve many of the banks in an obligation to hold large amounts of securities which are liable to heavy fluctuations, and would not be an economical use of the small amount of realized capital possessed by the country.

The plan I recommend is, to have circulating notes issued by chartered institutions, as at present, with additional securities, as hereafter mentioned, against loss by the public. This plan is the best, as applied to the wants and interests of the Dominion, because it produces the largest amount of available capital out of our limited financial resources, and because it provides, naturally and readily, for those seasons of expansion which are inevitable in an agricultural country.

MR. JACK.—By the present system the banks have been enabled to borrow a large amount from the general public, which they have employed in loans to the mercantile community. The available loanable capital of the country has thus been largely increased with the best results; while the banks have so prudently managed, that there have been fewer losses to the holders of notes than in any other country which possesses either a similar bank note circulation, or one based on Government securities. In Nova Scotia there has never been

any loss whatever sustained by the holders of notes. The trade and commerce of the provinces have been developed and built up under this system. It would seem therefore, unless cogent reasons to the contrary can be given, that the same system should be continued in the Dominion as has been thus successfully in operation in the several provinces apart. Theory is very good, but experience is much better, and when experience has proved a system to be highly beneficial and exactly adapted to the wants of the community, it is hardly advisable to change it because some theoretical system may be propounded which is expected to prove better. The old proverb "let well alone" is assuredly applicable to the present banking system. Improve it if defective, but do not radically change it.

MR. ROWLEY.—Should a system of this description be introduced among us, we have already precedents which might be adopted as guides for us, in the system of the Bank of England, and also in that of the National Banks of the United States; modifications and alterations of either of which, to suit our own circumstances, might very readily, successfully and profitably be carried out.

MR. WILMOT.—The circulating medium of the country is the life-blood of trade, and should not be subjected to the violent expansions and contractions, caused either by the apparent self-interest, the caprice or mismanagement of individuals. The amount of circulation per head in the United States is $30; in the Dominion it is not $4; if the former is in excess, the latter is far below what is required. I am therefore decidedly of opinion that the existing banks should be liberally remunerated for their circulation, but if continued to them, no further charters should be granted with the power of issuing notes.

MR. LEWIN.—I am not in favor of a circulation based upon Government securities, for although these securities may be a guarantee for the ultimate redemption of such notes, you cannot in this country, realize specie from them, in the event of an emergency, and thus secure the one important object in all paper currency, prompt specie redemption.

Except as indicated in the replies given above the suggestion of a Government issue of notes was unanimously disapproved. Opinions differed considerably on the point of a proper specie reserve.

QUESTION 4.—*State what, in your opinion, are the advantages and disadvantages of a direct issue of Government notes, and what those of a system under which banks organized on a principle analogous to that of the National Banks of the United States might use a circulation based on Government securities. State what, in your opinion, has been the effect of such a system in any countries in which it prevails?*

MR. PATON.—The only advantage connected with a direct issue of Government notes (meaning thereby an issue by Government itself, and not through the banks), is its profit to the Government which thus, to the extent of the circulation, borrows without interest from the public; the expense of maintaining the circulation, and the specie reserve held for its redemption, requiring to be deducted from the profit. There may also be this advantage, that the circulation being in Government notes, and therefore legal tenders, must be received throughout the country at par, and will thus form a currency of uniform value.

On the other hand there are serious disadvantages attending such an issue. Such a means of raising money has seldom been resorted to by the government of any country, unless driven thereto by necessity. It is a dangerous power to possess, from the facility it affords for unduly increasing expenditure, and never has, and probably never will be, exercised with sound economy and discretion. In the countries in which it has been adopted, Russia, Austria, France under the republic, Brazil, and the United States, it has brought in its train many evils, including a depreciation of the currency, a disturbance of monetary arrangements, an unsettling of the value of every commodity, of incomes, and of the wages of the people, an interruption of the regular current of trade with other countries, and introducing an element of speculation and gambling into the most ordinary business transactions. A currency of this character wants elasticity; it would not increase or decrease with the requirements of trade, as there can be no sympathy between the expenditure of Government and the amount of currency required for transacting the business of the country.

MR. ALLAN.—Theoretically, and if the security of the holders of circulation were to be mainly looked to, the National system of banking, as it exists in the United States, is probably the most perfect.

If any change is to be made in the system as it obtains in this country, I would prefer the National system to any other.

MR. STEPHENS.—I do not know of a single advantage to be derived from a direct issue of Government notes which is not

obtainable on the principle of the National Banks of the United States, whose circulating notes are fully secured by a pledge of the public stocks. The National Bank system, now over five years in successful operation in the United States, has met with great favor with the people there, and although various amendments to the law have been passed during that time, I have never, in a single instance, met with an intelligent person in or from the United States, who condemned the principle of this Banking law; on the contrary it has been very much commended by the highest banking authority in that country. This principle of banking originated in the New York State legislature some twenty years since, and has been improved by such amendments as experience suggested up to the time that it was assumed by the general Government, and made the ex-exclusive measure of banking for the nation. With this endorsement, I think this principle of banking might be safely tried in the Dominion of Canada.

MR. WOODSIDE.—The advantage of a direct issue of Government notes, is their uniformity of value, by being made a "legal tender" within the Dominion. I know of no other advantage which they possess over the issues of banks. I look upon the bank issues of notes as perfectly safe, and more easily converted into specie than the issues of the Government. The disadvantages are that many small places which now have bank agencies, would be deprived of banking facilities altogether; for without the profits of the circulation of their own notes, many bank agencies would be withdrawn as unprofitable, and the communities from which they were withdrawn would suffer, in being compelled to pay up the bank loans and in being deprived of their usual accommodation; property of all kinds would be much depreciated in value, and a general stringency and much suffering would ensue. A Government having the power to issue notes would be tempted, in case of need, into issuing more notes than they could redeem, when a suspension of specie payments would take place, thereby deranging the commerce of the country, and ruining many who had foreign or other engagements to meet.

MR. CARTWRIGHT.—Setting aside the special inconvenience and injustice to the province of Ontario (which employs the great bulk of the circulation of the entire Dominion) of interfering with the source from which a very large part of its banking accommodation is derived, and apart also from the grave risk that Government may be tempted, in moments of real or supposed emergency, to make their notes inconvertible, a danger especially great from the temporary though delusive prosperity which usually ensues upon the first issue of an

irredeemable currency. I can perceive no method by which Government can regulate the expansion of the currency without danger of grievous abuse.

This particular and very important function has been hitherto fulfilled in a very efficient manner, all things considered, by the natural play of supply and demand, and by the competition of the various banks with each other; but I can see no method whereby this could be effected by a Government controlling a bank of issue, or even operating through an ordinary bank, without its laying itself open to grave suspicion of partiality in its dealings with the various banks, or else to the danger of using its power for political purposes.

It appears to me that the Government would find this power, if honestly used, a most onerous and vexatious charge, and in any case that the introduction of such a system would impart a new and wholly uncalled for element of uncertainty into all mercantile operations.

I cannot speak, of my own knowledge, of the system pursued in the United States, and even if I were thoroughly acquainted with it I have great doubts if we can can form a correct judgment of what its workings would be in this country, in view of the many disturbing causes which have affected its operation there, from the outset.

Mr. Strathy.—The danger to be apprehended from an issue of Government notes is inconvertibility, consequent depreciation in value and derangement of trade: the fact that the very existence of a bank must depend upon the faithful discharge of its liabilities, is a strong guarantee that those liabilities will be promptly met. In any country where Government notes are the circulating medium, without one solitary exception, so far as I know, they range at a discount varying from 15 to 50 per cent., as compared with gold. The disastrous effect upon trade, consequent upon the uncertainty and daily varying value of such a currency, must be apparent to all, to say nothing of the almost universal spirit of gambling it engenders.

Mr. Hague.—In answer to this question, I observe that a direct issue of Government Notes can only be justified as an emergency in time of war. Such an issue is open to the very gravest objections: Thus,

(1) There is a tendency in Government currencies, which may almost be termed irresistible, to become irredeemable and depreciated. It is a fact that no Government currency yet issued, with some trifling exceptions, has preserved its value, and some of the largest emissions of such currency ever known, have fallen to ruinous rates of discount.

The uniformity of the result shows the strength of the tendency, and it is, in my opinion, impossible to devise any restrictions which will prevent its operation.

(2) The function of issuing and redeeming notes payable on demand, is so intimately connected with commercial operations, both inland and foreign, that none but persons who have close and constant relations with the active commercial world can properly manage it. The business of circulation, in fact, is the business of the banker, and such it has ever been in the mother country, the centre of the finances of the world. Such, also, it has long been in France, whose experience of the disastrous effects of a Government currency has been such as to deter it from ever repeating the experiment.

(3) If the Government have it in its power to emit paper money, and such paper money become a recognized instrument of currency, the temptation to extravagant expenditure will be irresistible.

Experience shows that the expenditure of a Government is the most difficult of all disbursements to be kept within reasonable bounds, even when there is such a strong restraint as the necessity to raise money by taxation or loans. If this restraint were removed, there can be no question that expenditure would become ruinously large, and the issues of money far beyond legitimate requirements. The currency would of course fall to a discount, and the credit of the country be damaged in the money market of the world.

I am not aware of any advantages which would arise from a Government currency, except the facility which it would afford it for borrowing, and the saving of interest on whatever amount of notes might be kept afloat. It is needless to add that this very facility would be the source of the greatest danger.

As to the superior safety of Government notes, all experience proves that this is a mere delusion. There is no security against such notes becoming so depreciated in value as to be practically worthless.

Under a proper system of redemption, such as Canada has long possessed, a banker is bound to redeem his notes under penalty of closing his doors. The Government has not such penalty to fear, nor can any pressure be brought to bear upon it by its own constituents, which will deter it from over-issues and their consequences.

The conditions under which banks may issue their own notes based on Government securities are fundamentally different from the above, and as between the two systems, there can be no question that the latter is to be preferred. The principal advantage it offers is, that the currency issued under its pro-

visions has a preferential claim to the securities deposited to cover it. To the Government it secures a demand for its debentures on the part of the banks.

The disadvantages of such a system, speaking of it simply as a theory, are that it compels a bank to lend to the Government to the full amount of the notes it may ever be required to issue. This prevents the capital and credit of the bank being availed of to meet the requirements of commerce to the extent to which these loans may amount.

It should be remembered also, that Government securities are liable to heavy fluctuations from political causes; and to compel bankers to invest such large sums in this shape is to subject them to a disadvantage which might, under certain contingencies, be fatal; and this without any corresponding return. If the case of the Bank of England is cited in this connection, it should be remembered that this bank has always had the immense advantage of the Government account.

Further, it is questionable whether even this currency would be brought within the operation of a regular redemption, such as has long existed in Canada, and which is the essential feature and safeguard of our system.

The National Bank notes of the United States are never redeemed, and all schemes for making them redeemable, have hitherto proved impracticable.

In considering this question, it should never be forgotten that these banks have at no time been worked on the basis of specie payments.

In my opinion, speaking as a practical banker, until a system has been subjected to this test, it is impossible to judge of its merits. In this opinion I am confirmed by eminent financial authorities in New York.

As to the effect of such a system in any countries in which it prevails, I am not aware that it does prevail in any country but the United States. That country in past years has been afflicted with banking systems and currencies of a most heterogeneous character, many of them pernicious and unsound to the last degree. Enormous losses have been suffered in consequence, especially in the Western States, and almost any change would have been welcomed which rid the country of such dangerous pests.

The National system is undoubtedly a change for the better, but it is needless to add that Canada never suffered from those evils which rendered the change desirable.

MR. JACK.—The first part of this question is so vague that it is difficult to discuss it. The basis on which the issue of Government notes is to be made should be stated.

It has been recognized by the best writers on economic science, that if a Government takes the note circulation into its own hands, it should confine itself to the "iron principle" of an exchange of notes for gold, and gold for notes; and that there should always be in its possession an amount of gold equal to the notes in circulation. If this were the basis, and it is the only sound one for a government to adopt, there could not be any doubt of the immediate redeemability of all the notes afloat. But it does not appear that this is the basis proposed for adoption. Judging by the tenor of the various questions, the idea seems to be a government note circulation with only a partial reserve of gold, in place of the present bank note circulation with a like reserve. If I am correct in this supposition, the principal advantage appears to be, that it is perhaps a cheaper mode than any other whereby the government may borrow money. It has been asserted that under the present arrangement for borrowing by the issue of legal tender notes, the government has paid a much higher rate of interest than if it had borrowed by the issue of bonds or debentures. If such is the case, and the present arrangement were continued and extended, it does not seem that there would be any advantage to the government or the country by obtaining a loan in this way.

Under a government note system, with only a partial reserve in specie, there would not be so great security for the immediate redemption of the circulation as at present exists. The far larger portion of the money thus obtained would be expended on government works, the payment of salaries, etc., and would be gone beyond recovery. In the event of a demand for gold, either for exportation, or through the influence of panic, all that the government would have to redeem the notes would be the specie reserve. There would not be, as is the case with banks, the daily maturing of loans, nor would there be any other reserve such as money invested at call, or in the hands of agents abroad, by means of which gold comes in, or could be immediately obtained to meet any extraordinary demand. The only way in which the government could obtain the gold would be by means of a loan; but, at such a time, it would be utterly impossible to obtain one, and government would be compelled to suspend specie payments. The very fact of a government taking the circulation into its own hands, results, not from any partiality in favor of the holders of notes, but from the necessity of borrowing. This necessity seems to increase with most governments, and as under a suspension of specie payments, it would be much easier to borrow money by the issue of legal tender notes than when they are redeemable in gold, there is a constant temptation to bring about this result, which, in times

of distrust and panic, would diminish any existing desire to maintain specie payments. For a bank to suspend specie payments is ruin; for a government to suspend specie payments is prosperity, through increased facilities for borrowing. A government in want of money, or a government without principle, would thus have a power in its hands, which might, at any moment, by a simple order-in-council, be employed to the great detriment of the best interests of the country.

Again, were Government the sole issuers of the circulating medium, either directly or through the medium of a bank, it would possess a power which might easily be perverted from legitimate purposes to the carrying out of party and other illegitimate ends. Whether justly or not, a government holding the power of issue would always be liable to attack, for the mode in which it might use it. If the power of issue were confined to a bank of discount acting for the Government, the evil would only be intensified. On this point it has been well said by Mr. J. R. McCulloch, "that a National Bank, for transacting ordinary banking business, would be neither more nor less than a national nuisance that would very soon have to be abated," and he adds, "no Government would choose to encounter the obloquy of being connected with such an establishment." The opinion of the late Sir Robert Peel is no less decided. When discussing the renewal of the charter of the Bank of England in 1844, he said "the advantages, the only advantages which I have been enabled to discover in a Government bank, as compared with a private company, are those which result from having responsible persons to manage the concern, the public deriving the benefit of it; but then, on the other hand, I think these benefits are much more than counterbalanced by the political evils which would inevitably result from placing the bank under the control of the Government. *I think that the effect of the State having the complete control of the circulating medium in its own hands, would be most mischievous.*" These views have received a striking corroboration in the attempt at a national bank in Canada. Complaints, both loud and deep, have been made, that the present method of managing the Government circulation has always been used in a manner injurious to the interests of the other banks and general community. What may we not expect if this power for evil is increased by the destruction of the bank circulation and substitution of that of the government, and the whole confided to a single bank of issue?

The present National banking system in the United States, is one which has taken its rise under a suspension of specie payments, and it is impossible to argue from what is there taking place as to the value of the system where the notes are con-

vertible into gold at the pleasure of the holder. Prior to the passing of the Act which called it into existence, the banks in the principal cities held large reserves in gold. The immediate effect of their coming under its provisions was the sale of that gold, in order to purchase securities to lodge with the government for notes. In this way they were enabled to comply with the Act without disturbing their general business. If the trade and commerce of the country had at that time been conducted on a specie basis, this would have been impossible.

MR. ROWLEY.—The direct issue of Government notes, *e.g.*, the greenbacks of the United States, the four and five dollar notes of Nova Scotia, and of the former Province of Canada, has been generally considered by statesmen of all shades of political opinions to be by no means desirable. On the other hand its disadvantages are universally admitted.

The advantages of a system of bank issues for the Dominion similar to that of the National Banks of the United States, would be the same as have been found desirable in that country; they consist chiefly of—

(*a*) Uniformity of currency over all parts of the country, and the note a legal tender for the payment of all debts.

(*b*) Security by Government, as well as by the liability of the stockholders.

(*c*) The whole available capital of the country thus becomes pledged to support the Government and institutions of the country, and thereby tends to maintain good order and law.

(*d*) The people, with their property, through the banks, thus invested in Government securities, find themselves pledged to maintain the integrity of government, the preservation of order, and the support of law, thereby adding greatly to the prosperity and stability of the country.

MR. WILMOT.—The advantage of a direct issue of Government legal tender notes would, if restricted, as mentioned in my last answer, relieve the public from being taxed to pay the interest on that amount of the public debt. The wear and tear of notes should, as in Nova Scotia, more than compensate the cost of issuing them, and when the foreign trade was adverse, they would not be so injuriously affected as the existing bank note circulation. Being a legal tender, and being received for duties and taxes, the holders would have perfect security. No disadvantages could arise, unless the power of issuing them was abused, which could equally be applied to any other paper circulation. I think the National Bank system of the United States, has been proved by experience, to be safer for the public, and more remunerative to the stockholders, than the system similar to our own, previously existing in that country. One in many

respects analogous to it, would be much more fitted for the development of the resources of a new country, where floating capital was scarce, than the present system.

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QUESTION 5.—*Do you consider that the National Bank system of the United States could be introduced with advantage into the Dominion of Canada—if not, give your reasons; if yes, state what modifications or different provisions you would recommend, so as to properly secure the convertibility of their issues, and give due security for deposits?*

MR. PATON.—I am of opinion that the National Bank system of the United States could not with advantage be introduced into the Dominion of Canada. One objection to its introduction is, that it would encourage the establishment of a multitude of small Banks, which would not be able to secure the services of efficient and experienced men to conduct their affairs. It is likely that the deposits would be used by the parties having the control of the Bank.

The establishment of numerous small banks in Canada would result in continually recurring failures, causing embarassment to the public, exposing the other banks to danger from panics, and generally bringing discredit on the whole banking system of the country.

MR. ALLAN.—Undoubtedly the National system of banking could be introduced into this province, but whether it would offer any advantage over that which now obtains here is, in my opinion, doubtful.

MR. STEPHENS.—I am abundantly satisfied that the National Bank principle of the United States could be introduced with great advantage into the Dominion of Canada. In order to secure the convertibility as well as the uniform value as nearly as possible in different parts of the Dominion, it would be necessary to amend the law so as to compel the local banks of Nova Scotia to redeem their notes in Halifax; those of New Brunswick, at St. John's; those of Quebec at Montreal, and those of Ontario at Toronto, at the rate of one-eighth per cent. discount, and in addition make them by law receivable for all public dues. In regard to the security for deposits, I do not see that more can be done than what I referred to in my answer to Query No. 3, viz., from each Bank compulsory semi-annual reports of the names of their shareholders.

The double liability clause would be of great value, but it would never answer under this system. The fact is, it would be

asking too much from the shareholders, after having deposited security for their circulating notes, and would, therefore, prove to be an obstacle to the free working of the law.

I have thus far omitted to refer to one of the most important advantages to be gained from the establisnment of this system of banking in the Dominion. I allude to its favorable effect upon our own public securities, by increasing their value and convertibility, and what is of still greater interest to the country, is that the demand for banking purposes would cause the return to us of a large portion of our bonds, thereby securing the disbursement of the annual interest amongst ourselves in place of being remitted abroad, as at present. This item of three or four millions of dollars, which have been yearly remitted for interest on our Public Debt, is no small amount to be deducted annually from the value of our exports, the saving of which will be most sensibly felt, greatly to our relief in the home trade. On this account I have long been anxious to see our securities held and domiciled at home.

MR. RAE.—The limited capital of the country would prevent the National Bank system, which has been so successful in the United States, since the suspension of specie payments, proving a good substitute for the bank issue which now exists here.

MR. STEVENSON.—It must necessarily be difficult to deal with the National Bank system of the United States, in connection with its introduction into the Dominion of Canada. That system is not based upon specie payments; and it is admitted that every system of banking and currency must be subjected to the test of specie payments.

MR. HOPE.—I should view the introduction of such a currency, or anything analogous to it for Canada, as a great calamity. Our object should be to have a currency as near as possible *perfect*, and in my opinion the National Bank currency is several removes from *that*.

MR. HAGUE.—In considering this question it is important to put aside mere financial theories, and look at the matter from a practical point of view.

If the National Bank system is introduced into Canada, it will be necessary for the Banks to purchase Government securities to an amount considerably more than the highest point to which their circulation reaches when expanded in the season for the moving of produce. To do this will curtail their resources for carrying on the trade of the country. I do not think it will be of advantage to the trade of the country to withdraw a considerable amount of capital now engaged in its

development, for the purpose of lending it to the Government. This I consider to be a sufficient reason why such a measure should not be inaugurated.

It seems to me that whether we look at the banking business of the country in general, or regard the periodical expansion and contraction of the circulation required by a portion of it, the National Bank system of the United States could not be advantageously introduced into Canada; and when we consider that the proposed system offers no better security for the general condition of banks than the one now in existence, we feel inclined to say, in the words of Lord Melbourne, "Can't you let it alone?"

It should also be remembered, in considering this question, that the posftion of Canada, with its comparatively small population, is very different from that of the United States or Great Britain. There is not the field in it for the purchase and sale of stocks which there is in these countries. And I very much doubt the wisdom of borrowing from the population of a new country the money required for Government works. All the available resources are required for the development of the trade and manufactures. If the Government interferes with these resources, there cannot possibly be that rapid advance in the future which has been seen in the past.

It is not easy to borrow money abroad for mercantile purposes, whereas it is comparatively easy for a prudent Government to obtain from foreign capitalists all the money it may gradually require, as was shown by the late loan.

Mr. Rowley.—I consider that a Bank Act, similar to that of the Bank of England and the National Bank Act of the United States, might be advantageously introduced into the Dominion of Canada.

Mr. Wilmot.—A general banking law, similar in most of its provisions to the United States National Bank Act, would enable any number of individuals possessing the requisite securities, to carry on the business of banking, by depositing the securities with the controller of the currency; being relieved from the expense of keeping large reserves of specie, they could afford to pay as much for the notes as would relieve the public from the cost of conversion, and contribute a reasonable sum to the general revenue, while the note-holders would have the securities deposited and the guarantee of the State, for the security of the circulation.

Mr. Lewin.—In my opinion, the introduction into Canada of the National bank system of the United States, would be, financially, a public disaster. It would, in the first place, require

a large amount of bank capital now loaned to the public to be withdrawn and invested in Government securities, and secondly, introduce all the evils of an irredeemable, and therefore depreciated paper currency.

Messrs. Strathy and Vezina also answered this question in the negative.

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QUESTION 6.—*Can you suggest any system, having Government securities as the basis of circulation, which will provide for the necessary expansion or contraction at certain periods of the year, and at the same time make the note circulation of all the banks equal, in point of security?*

MR. PATON.—In the event of the system of depositing Government securities as the basis of circulation being introduced, those banks whose business is too extended may have difficulty in meeting a demand for an extension of their circulation, but to every properly organized bank, with capital and resources sufficient, no such difficulty will arise; as the only precaution to be observed, is always to hold an amount of Government securities equal to the highest circulation, and thus provide for necessary expansion. This system will also, to a very great extent, equalize the notes of every bank in point of security.

During the past ten years the minimum circulation of bank notes has been $8,000,000 (inclusive of legal tenders,) and the maximum $15,000,000, a difference of no less than $7,000,000; but the highest circulation (legal tenders included) during the past ten years was $12,500,000. The banks, in order to supply themselves with the amount, would require to deposit with the Government $13,750,000. They have at present, of Government securities, $7,000,000. From their capital and resources, they would therefore require to provide the difference in cash, say about $7,000,000, but this could without difficulty be accomplished within the time suggested in my reply to No. 3, viz.: four years after the expiring of the present charters.

MR. ALLAN.—If the possession of government securities was to be the basis of bank circulation, or if the notes of the Government were alone to be circulated, the necessary expansion might be obtained by an arrangement, by which, on a deposit with a Goverment agent by a bank, of its approved discounted paper, the required circulation would be afforded or authorized.

MR. STEPHENS.—The proper remedy to guard against violent contraction or expansion would, in my opinion, be the appointment by law of three bank commissioners, with full powers to make quarterly examinations of the condition of each bank. I believe these duties are clearly pointed out in the United States National Bank laws, and if this system is adopted in the Dominion, the note circulation of all our banks would then be equal in point of security.

MR. RAE.—I do not know of any other method than that of Government deposits, in each bank, in proportion to its capital, consisting of notes for circulation, to be used at certain seasons of the year, when needed to move the produce of the country.

MR. STEVENSON.—As I am not in favor of any system having Government securities as the basis of circulation, for reasons which I hope to make apparent as I proceed with my replies, I am unable to suggest or recommend any such which I would consider sound. I use the word "sound" as a synonym of right, or coincidence with a rule calculated to produce good, or which can be shown to be generally expedient.

MR. WILMOT.—If Government securities could not be obtained to meet the necessary expansion required at certain periods of the year, others equally valid might be substituted. The free banking law of the State of New York, prior to the war, which worked beneficially, permitted the deposit of two-fifths of the securities in mortgages on land, without taking into account the buildings, and authorized an issue of notes, I think to the extent of 30% (thirty per cent) of the assessed value. The Scotch banking system was started by the landed-proprietors uniting in the issue of notes, making their whole property responsible; the necessary contraction would regulate itself, by paying back the notes when not required by the trade. If the banks circulated Dominion notes only, the security of all would be equal.

Messrs. Vezina, Woodside, Cartwright, Hague and Lewis, could suggest no system by which the defects of such a system as referred to in the question could be overcome.

QUESTION 7.—*Is the expansion and contraction as sudden and great of late years as formerly, in the provinces of Ontario and Quebec; and does the circulation vary, and to what extent, in Nova Scotia and New Brunswick? If so, at what seasons, and from what causes?*

In reply to this question, MR. HAGUE submitted the following table of expansions and contractions in the circulation of the Banks of the late Province of Canada, for a period of ten years:—

TABLE OF THE HIGHEST AND LOWEST CIRCULATION OF THE BANK NOTES OF THE LATE PROVINCE OF CANADA FROM 1857 TO 1865, INCLUSIVE

Year	Month	Highest Circulation	Month	Lowest Circulation	Expansion and Contraction
		$		$	$
1857	January.....	11,873,730	December....	8,757,315	3,116,415
1858	October... ..	10,177,414	May.....	7,682,350	2,495,064
1859	October.... .	11,236,055	May.....	8,122.125	3,113,930
1860	October.....	14,756,242	May.....	9,478,440	5,277,802
1861	October.....	15,259,202	April.....	10,036,451	5.222.751
1862	February	12,812,268	December....	9,868,997	2,943,027
1863	October.....	11,288,890	May.....	8,372,567	2,916,323
1864	January.....	10,982,726	August.....	8,525,475	2,457,251
1865	October.....	14,258,655	July.....	8,169,289	6,189,366

The expansion of the last of these years was, I believe, the greatest ever known, as the whole occurred within a period of three months. In the following year the provincial note system was put into operation, and the Bank of Montreal commenced to redeem its circulation. Both these causes would disturb any calculation as to the variation in the total issues of the last two years.

The following statement shows the highest and lowest circulation of the banks of the late Province of Canada (other than the Bank of Montreal) for 1866 and 1867:—

Year	Month	Highest Circulation	Month	Lowest Circulation	Expansion and Contraction
		$		$	$
1866	March.....	9,330,226	August.....	7,252,297	2,077,929
1867	October.....	9,659,534	August.....	7,411,962	2,247,572

QUESTION 8.—*Can you suggest any plan by which the existing banks could give the public the security of Government debentures for their note issues, and at the same time carry on a profitable business, if time were allowed to adapt their present operations to such a system, either by increase of capital, gradual redemption of their circulation, or otherwise?*

MR. PATON.—The banks of the Dominion could carry on a profitable business, if permitted to issue their own notes, guaranteed by a deposit of Government debentures, if allowed to draw the interest on the debentures lodged, and if relieved from the tax of one per cent. on their circulation, and from the obligation to hold ten per cent. of their capital in Government securities, and provided sufficient time is allowed to effect the change.

MR. STEPHENS.—I cannot suggest any safe plan of introducing into the charters of our existing banks the principle of compelling them to secure their circulating notes upon the pledge of Government debentures, as I think any attempted arrangement of that kind would be only adding another experiment upon the present National Bank law of the United States, which has now already had the benefit of twenty years of experimental legislation in that country without ever having its general principles called in question.

MR. HAGUE.—The reason why the circulation of their notes is an object to the Canadian banks, is that their deposits are so small in proportion to their capital. Deposits in Britain and other colonies and dependencies of the Empire, are far larger than in the Provinces. It is a matter of interest to observe that the ratio of deposits to capital is gradually and slowly increasing. When the times come when the deposits bear the same proportion to capital as deposits and circulation combined do at present, it is probable that other things being equal, the banks will be able to do as large a business on the same capital as at present.

Judging from the past, I should say that this may take place in seven years, provided that no monetary derangement occurs in the meantime from bad harvest or political complications. If such disturbing causes should supervene, it may take from ten to fifteen years to bring about such a result. This, however, will enable the banks only to grant the same amount of discount accommodation after the lapse of this period, as they do at present.

As the requirements of commerce may be expected to be considerably increased at that period, it is evident that legislation of the character named will considerably increase the

stringency of the money market, and deprive the commercial community of the benefit they would otherwise derive by the accumulation of wealth in the country.

There can be no escaping from this result under any possible arrangement. If the time for a complete covering of note issues by Government securities were fixed at seven years, and the banks were gradually required to purchase securities for that purpose, they would have less to lend every year, as they lent larger and larger sums to the Government.

So far as the profits of the banks are concerned, it is proable that the obligation to lend to the Government would not directly diminish them to any considerable extent. The crippling of the resources of men of business, however, would render the banks liable to greater losses than they would be otherwise, which is a most undesirable contingency.

MR. WILMOT.—The most ready mode would certainly be by increasing their capital.

The remaining replies indicated a unanimous opinion that this change could not be effected without prejudicially affecting the banks.

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QUESTION 9.—*If the existing banks were deprived of the right to issue notes, except on Government securities, how long, in your opinion, would it take to adopt the necessary steps whereby the present circulation might be redeemed without curtailment of discount accommodation? Would the effect be to lessen seriously the discount accommodation now afforded to the trade of the country, and if so, to what extent? Would the change tend to increase the rate of interest?*

MR. PATON.—Four years after the expiring of their charters would afford the banks time to make arrangements for carrying on their business, with a circulation based on government securities, and for redeeming their present circulation, say at the rate of twenty-five per cent. per annum without inconveniently curtailing their discount accommodation. Several of the banks having already as large an amount of government debentures as of circulation, could immediately enter into the arrangement suggested, without decreasing the amount of their loans. I do not believe that the change would tend to increase the rate of interest.

MR. ALLAN.—The restriction on the banks, by which they could only issue notes based on government securities, would necessitate an immediate curtailment of circulation, and also of

discount accommodation; and this would continue just until the restriction was removed. As the business of banks would also be greatly lessened, an increased rate of interest would be an immediate necessity.

MR. STEPHENS.—If the existing banks were brought under the operation of a new banking law, restricting them exclusively to the issue of notes secured by a pledge of the public securities, two years would be fully sufficient time for all of the present banks in the Dominion to purchase their bonds for deposit with the government to secure their new note circulation. This arrangement should cause no disturbance whatever in the regular course of banking, and, in my opinion, would not in the least restrict their power in extending their usual accommodation to their customers, because during the change of the old banks, new ones would be established in different parts of the Dominion, under the new law, which would have the tendency to diminish the rate of interest, rather than to increase it.

MR. RAE.—In order to avoid reduction in the present discount accommodation, additional capital would be required to replace the present bank circulation. I think the change would have a tendency to increase the present rate of interest.

MR. STEVENSON.—The circulation of the banks in Canada (excluding the Bank of Montreal) may average...

	$10,000,000
Reserve to be retained.....	2,000,000
Leaving	$ 8,000,000

available for business—in other words, being the power of lending arising from the circulation. This would be lost. But the Government bonds, under the provisions of the Act, would be converted into legal tender notes, say to the amount of $3,000,000, the lost power would therefore be $5,000,000. If the existing banks were deprived of the right to issue notes, except on Government securities, I am of opinion that a change of system would have to be brought about gradually, say, in ten years. All are agreed that the effect of basing bank issues on Government bonds, will materially reduce bank accommodation. It is also generally admitted that the greatest stringency or scarcity of money will be when the crop has to be moved. This stringency will be greater than is generally supposed, for the following reasons:—Banks, under the present system, provide for the moving of the crop; this provision, with the usual expansion of circulation, enables them to meet the requirements of their customers. But deprive the banks of the advantages

resulting from the expansion of their circulation, and they will cease to provide for a business which is active during three months of the year only. They will keep their available means invested in the paper of manufacturers and importers, engaged in a steady business, usually requiring money throughout the whole year. When the crop is brought to market, there will be no money to be had from the banks wherewith to move it, except from banks possessed of large capital, having a large portion of their means in England and the United States; and those banks will not withdraw such capital unless the business connected with the moving of the crop pays them better than lending in New York and England. Take the present harvest. For some time past gold in New York has been worth $\frac{1}{16}$th @ 1 per cent. per diem, for its use. What inducement would there be, under a system of note issue based on bonds, to fetch one dollar from New York to advance on produce? As there would necessarily be a great scarcity of money here for the purpose of moving the crop, the farmers would be entirely at the mercy of American capitalists, who would buy on their own terms and at a manifest loss to this country.

Mr. Vezina.—It would take the banks at least ten years, in the most speedy way possible, to redeem the amount of their circulation, but they could not do it without a great restriction in business generally, and without a considerable injury being inflicted on trade. The change would certainly tend to increase the rate of interest.

Mr. Woodside.—If the existing banks were deprived of their right to issue notes except on government securities, the effect would, in my opinion, be most disastrous to the commerce of the country, as the curtailment of the present discount accommodation would seriously cripple every enterprise and depreciate the values of all commodities, and ruin many engaged in trade.

The change would, no doubt, materially increase the rate of interest, for banking is now much less profitable in Canada than it is in England and in many other places.

Mr. Cartwright.—The banks now existing in Ontario could not give up their circulation without curtailing their discount accommodation, unless they were able, simultaneously, to increase their capital to a very considerable extent. I doubt if this could be done, *pari passu*, with a proceeding which would materially reduce the profits to be expected from capital employed in banking, in the first instance at least. As before observed, the profits of circulation have always formed

a large item in the calculations of bankers in Ontario, and I am much inclined to think that the rapidly increasing business of that province will require all and more than all the bank capital it can command, without depriving it of any it now possesses, whether in the form of paid-up capital or of circulation. If banks in Ontario are to be deprived of the right to issue notes, it ought to be done as gradually as possible. There is strong ground for believing that the withdrawal of the power to issue notes would have a specially injurious effect in Ontario for reasons already given. The curtailment of discounts would probably be not less than five millions of dollars in that province, and in an ordinary state of things (if American silver coin were withdrawn) would be very considerably more. Such a step must tend to increase the rate ot interest, though it must depend on a great variety of considerations whether it actually raised it or not. Hitherto the Canadian Government has hardly ever entered the Canadian money market as a borrower, and it is impossible it should do so to the extent of several millions (which is the direct effect of this measure) without tending more or less to raise the rate of interest.

As a matter of expediency, it is very questionable if Government should become a competitor for what may be called the "active loan fund," of any country except in case of urgent necessity, and this is always specially objectionable in a new and growing one.

Mr. Hope.—Looking at the bank statement of 31st March last, I observe that the circulation is $8,742,910, and the coin, bullion and provincial notes $8,507,956, so that the circulation to the banks collectively (whatever it may be in one or two exceptional cases) cannot at present be very remunerative; and from these figures I cannot see how, if the banks were deprived forthwith of the right to issue notes, that any curtailments of legitimate discount accommodations should result from it.

Mr. Strathy—Were the present circulation done away with, a curtailment of discounts must undoubtedly follow, even if the Bank capital were increased as rapidly as possible. I should think the curtailment of discounts necessary would not fall short of $10,000,000; the currency would unquestionably increase the rate of interest, by causing a continued stringency in the money market.

Mr. Hague.—I have already indicated that the very shortest time within which such a change could be prudently inaugurated, would be seven years, provided that no financial

disturbance took place in the meantime. I name this, however, simply as an alternative between the initiation of such a change without sufficient notice.

There can be no possibility of a redemption of Bank note circulation, or a covering it by Government securities, without a curtailment of discount accommodation present or future. Even if the change were gradual, and discounts, while the process was going on, could be as high as they are now, the increased means which would arise from larger deposits would be diverted from business operations to the use of the Government. The course of banking in Britain and every other commercial country, is for the surplus funds, that is, the Bank deposits of one district, or one class of the community, to be made available for the carrying on of business in another district, or to another class, by means of the banker, who receives money from one person and lends it to another.

Deprive the commercial community of London, Liverpool, or Paris of the discount accommodation they receive from the deposits lodged with the bankers, and the greater part of the men of business in those places would stop payment. This is obvious. Deprive the commercial community of any *increase* of discounts they require in the increased development of commerce, and the effect would be that commercial progress would be checked.

If the banks were required during the present year to lend to the Government a sufficient sum to cover their whole circulation, it would be necessary to call in loans from the commercial community to the extent of several millions of dollars.

This curtailment of discounts would be almost wholly with the banks of Ontario, whose circulation is large in consequence of their doing business mainly in an agricultural community. It should be remembered that in the contraction of discounts a very small diminution in the total volume produces an effect far more than is commensurate with the amount of contraction.

It would be impossible to exaggerate the disasters which would be entailed upon the country (all of whose parts are mutually dependent), by so large a curtailment of discount accommodation.

Even if this difficulty were overcome, it is almost certain that in every future year a great scarcity of money would occur at the time when banking accommodation was most needed, viz., during the fall and winter months. Such a state of things would inevitably lead to higher rates of interest, which, as is well known, could not be prevented by legislative enactments.

Another incidental effect would be the lowering of the price of produce by the periodical stringency of money. This would of course operate to the injury of the farming com-

munity. Remittances to wholesale centres would suffer in consequence, and commercial enterprise be checked accordingly.

The effect of the proposed change would thus be as follows

If carried out at once,—

To diminish discount accommodation to the mercantile community of the West, to the extent of from five to seven millions of dollars, and bring about a severe revulsion in every part of the Dominion.

If time were given for the change,—

To prevent discounts being increased as the growth of population and business demanded it.

And in either case a higher rate of interest, accompanied by a greater uncertainty of repayment of loans; a diminished price for produce; severe fluctuations in the money market annually; periodical financial distress.

It is well known that with all the resources at the command of the banks, there occur seasons of financial distress at present.

Prevent by arbitrary enactment the banks from availing themselves of that credit which may be used to tide over a period of stringency, to that extent financial distress will be aggravated.

Mr. Rowley.—The change might be limited to about five years at the furthest, which would be long enough to allow every bank to make the necessary change without any inconvenience either to themselves or their customers; and the change might be brought about very gradually, in proportion of one-fifth of circulation annually, *i.e.*—each bank would take one-fifth of its capital in the new issues every year.

Mr. Wilmot.—The experience of the change in the United States is the best answer to this question. The establishment of a free National banking system has afforded more general accommodation to the trade of the country; business formerly conducted on credit, has, by the increase of circulation, been transacted with money; the rate of interest has been more regular and equal, not subject to the fluctuations which occur under our system.

Mr. Lewin.—The existing banks usually discount to the full extent which a prudent management of their business permits, and would be compelled to lessen the amount of discount accommodation afforded to the public, to the extent of the sum invested in Government securities.

QUESTION 10.—*Do you consider that the present system, under which a portion of the circulation of the Dominion is on the direct issue of notes of the Government, viz.: Under the Act, 29-30 Vict., Cap. 10, of the late Province of Canada, and under the Acts, Chapter 39, Revised Acts, Title ii, of the Province of Nova Scotia, coupled with the system of independent issues by the banks themselves, is satisfactory in its operation? Do the public prefer the notes of the Government to those of the banks, and are the banks which issue their own notes placed at any disadvantage, and how? State fully yonr experience of the working and effect of the co-existence of the two systems? Has the introduction of the Legal Tender system produced a material reduction in the volume of specie in the country, and would it, if made general, cause such further reduction as to depreciate the value of Legal Tenders? State fully your views on all these points?*

MR. PATON.—By the Provincial Note Act of 1866 the Government was authorized to issue a limited number of legal tenders to any bank which, under certain conditions, was disposed to withdraw its own circulation and issue the notes of the Government.

The only bank that took advantage of the Act was the Bank of Montreal. That institution held so large an amount of Government debentures, that it could, without inconvenience, withdraw its circulation and replace it by legal tenders. When the above Act was passed, the Government considered it necessary to borrow about four million dollars in Canada, and they proposed to issue debentures at a high rate of interest, and in small amounts. As this loan would have been supplied by deposits withdrawn from the banks, I consider that it was more for the convenience of these institutions that Government should issue a limited amount of legal tenders than that their deposits should be largely and rapidly diminished. The Government notes have never exceeded in amount the circulation of the Bank of Montreal. I am of opinion that the Act authorizing the issue of a limited amount of legal tender notes, coupled with the system of independent issues by the banks themselves, has been satisfactory in its operation.

The public make no distinction between the notes of the banks and those of the Government, and they both circulate freely, and at par.

MR. ALLAN.—I am not aware that the public show any preference for the notes of the Government over those of the banks. The manner in which the legal tenders have been put in circulation, has been injurious to every bank, except the

favored one through which the issues have been made, inasmuch as that bank being also the only Government bank of deposit, dictates the method of making settlements unnecessarily oppressive and inconvenient.

MR. STEPHENS.—The present system of direct issue of notes by the Government, and at the same time independent issue of the banks, can never in my opinion be made to work in a satisfactory manner, either in the interests of the banks or the Government. One or the other must be made exclusive, if either be adopted. A point, however, is now reached in banking, as well as in the speculative character of trade in this country, which imperatively demands our choice of a currency secured by Government debentures, or a direct Government issue.

MR. WOODSIDE.—I think that the public does not prefer the notes of the Government to those of the banks, as I have known of two per cent. being paid to get gold for Government notes, and I have known the Government notes to be refused altogether although a "legal tender." The banks which issue their own notes are placed at a disadvantage, for although they redeem daily in gold, their issues are liable at the whim of an unscrupulous Government agent to be rejected, thereby causing want of confidence in the public with perhaps a run for gold. This was the case in October last, and may be again.

MR. CARTWRIGHT.—I think that the Act referred to placed a great amount of power in the hands of the Government of the day, and I am convinced that its effect would have been very disastrous, at any rate to the banks of Ontario, had Government, in conjunction with the Bank of Montreal, exerted themselves to the utmost of their power, to force the entire eight millions of legal tender notes authorized by that Act, into circulation.

As matters actually turned out, Government having allowed things to take their natural course, and having confined themselves to issuing a sum barely equivalent to the amounts withdrawn from circulation by the failure of the Bank of Upper Canada, and by the Bank of Montreal acting under agreement, I am of opinion that no appreciable disturbance was caused by the effects of that Act, the failures of the Bank of Upper Canada, and of the Commercial Bank, being clearly traceable to causes wholly unconnected with and unaffected by that measure.

At the same time I must observe, that it is still in the power of Government to cause very considerable inconvenience should they decide on forcing the balance of legal tenders still unissued into circulation.

I do not think the banks which issue their own notes have, so far, been placed under any practical inconvenience by the issue of legal tenders, though they have undoubtedly been compelled by the fiscal agent of Government to hold a certain quantity of legal tenders which they would otherwise not have retained. I apprehend, however, that this has simply caused the displacement of so much gold, and can hardly have inconvenienced the banks in the extent to which it has gone through. I offer no opinion as to what the result might be were the matter pushed further.

I am bound to add, however, that I have found the legal tender notes preferred by a considerable number of persons, and speaking generally in view of the existing position of the country, and of the public finances, I think the existing system may safely be allowed to continue. I have already, in my answer to question 3, stated my views as to the best course to be pursued in future.

MR. HOPE.—I consider the present system of having a portion of the circulation of the Dominion on the direct issue of Government notes, coupled with the system of independent issues by the banks themselves, most unsatisfactory, as it places the banks which issue their own notes at a disadvantage, inasmuch as the public have apparently *a leaning* in favor of the Government notes, and in times of panic the circulation of a bank is first discredited, and then a withdrawal of its deposits follows.

MR. HAGUE.—I do not consider that the operation of the Provincial Note Act has been satisfactory. That it has not occasioned severer financial contraction, is owing to the fact that no bank has embraced its provisions, except the bank which had the Government account, and that the same bank which came under its provisions had the management and control of the Government currency.

It would, in my judgment, have been dangerous and imprudent in the extreme for any bank to come under its provisions without stipulating for the same conditions as were enjoyed by the Bank of Montreal, viz: a share of the Government deposits, and what is far more important in this connection, a share in the management of the scheme. As these conditions would have been practically impossible, the issuing of Government notes has been confined to the bank which enjoyed them, and retained the control of the Government currency in its own hands. The Bank of Montreal, in fact, by retaining such control, has been precisely in the same position as a bank which issues its own notes. It has had at all times a large reserve of notes to fall back upon, which could be used at discretion, the only

condition of issue being the crediting of a special Government account, and the retention of a small proportion of specie. This rendered the new currency practically elastic, and prevented the injurious consequences which must have arisen from a rigid system of issues, as provided by the letter of the Act.

On the other hand, evils have arisen which would have been prevented had the Government retained in its own hands the control of its currency and banking account. The principal of these is, that the financial agents of the Government have been enabled to assume an attitude of dictation towards other institutions, which is contrary to the public good. That such an attitude is so contrary, and that it might be exercised in such a manner as to do most serious mischief to the country, may be seen from the correspondence read to the House of Commons by the late Finance Minister, in giving his explanations, after the stoppage of the Commercial Bank.

It does not appear that the public prefer the notes of the Government to those of the banks. The amount of Government notes in the hands of the public, judging from the published returns, is, I should say, somewhat less than the amount which they formerly held of the notes of the Bank of Montreal.

Mr. Wilmot.—So far as my observation and experience enables me to judge, Government notes pass freely throughout the Dominion, without being subject to any discount; this is not the case with bank notes. I have known the notes of solvent New Brunswick banks subjected to a discount of ten per cent. in Montreal, while the notes of banks in Ontario and Quebec were subject to five per cent. discount in New Brunswick; neither are they current; the Government notes being a legal tender, answer the purposes of money in all transactions, while the bank notes do not, except in their own localities, or where they have agencies to redeem. The banks of Nova Scotia being prohibited from issuing notes of a less denomination than twenty dollars, the smaller circulation is in Government notes, and being required for change there is no conflict in the issues.

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Question 11.—*Should the present Banking Institutions be required to issue notes based on Government securities, or to issue Legal Tenders, would they, in your opinion, continue their local or country agencies, and if not, why not?*

Mr. Paton.—Many of the country agencies of the banks are established for the purpose of transacting produce and lumber business. The advantages of these establishments consist

mainly in the increased circulation induced. In the event of the circulation of the country being legal tenders, which the banks will require to purchase with gold, and from the circulation of which they would derive no profit, all the agencies of the bank established for the purpose of promoting the circulation of notes would be withdrawn. If the note issues of the country were based on Government securities (on which the banks received interest), the notes being those of the banks, it still would be for their advantage to increase their circulation, and there would be no reason for closing the country agencies.

MR. ALLAN.—The issue by the banks of legal tenders or notes based on Government securities only, would curtail their operations and probably result in the withdrawal of some agencies as unprofitable; many of them would, however, I think, still be continued.

MR. STEPHENS.—Banks required to issue notes based on Government securities, which I take to be essentially the American system, should never be allowed to establish branch banks or agencies, unless they were restricted in this respect. A bank could be established nominally in a remote part of the Dominion, whilst all its real circulation and banking business could be done through an agency in one of the principal cities, giving such a bank an unfair advantage over those banks not similarly situated, in regard to the redemption of their circulation in specie.

MR. RAE.—I think many of the country agencies would be closed if bank circulation was discontinued, because the object to be gained by the establishment of such agencies is the profit derived from that source.

MR. STEVENSON.—I am of opinion that in many cases the present banking institutions would find it necessary to discontinue their local or country agencies. The profit on the circulation would be lost, and some of the establishments are so small that they would scarcely pay the expenses of management, but for the profits arising from the circulation. The withdrawal of those establishments would be attended with considerable inconvenience to the inhabitants. They are now places of safety in agricultural centres for accumulating wealth. They are useful for the purpose of making payments from those places elsewhere; useful to traders; useful to all. If the establishments did not issue their own notes, many local agencies would be closed, and a very great deal of inconvenience would be experienced by the inhabitants of several districts in Canada.

MR. HOPE.—I do not think the banks ceasing to issue their

own notes would therefore discontinue their local or country agencies. I see no reason why they should do so, but, on the contrary, I think they would probably look to extend their business to the great producing class of the community, the agriculturists, who have hitherto been practically shut out from direct banking facilities, and left to the tender mercies of private money lenders, although I can say from an experience of thirty years that there is no safer class in the community than the farmers of Ontario to make moderate loans to.

Mr. Rowley.—I know no reason why the introduction of a system of banking based on Government securities should cause the withdrawal by any of the banks of their country branches or agencies.

Mr. Wilmot.—Banks in England having no power to issue notes, have their branches and local agencies, and I suppose, if profitable, they would be continued in this country.

Messrs. Vezina, Woodside, Cartwright, Strathy, and Hague agreed that such a requirement would result in the closing of many country bank agencies.

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Question 12.—*Do you consider that the provisions of the existing bank charters offer sufficient guarantee in the public interest as regards circulation and deposits. If not, state in what respect you would suggest amendments.*

Mr. Paton.—The existing charters do not, in my opinion, provide sufficient guarantee to the public for deposits and circulation. With regard to the latter I have suggested, in reply to Question 3, that it be guaranteed by Government securities, and by a moderate specie reserve, to provide for its partial redemption without resorting to the sale of debentures.

With regard to deposits I consider that a bank should be required to hold one-third of its demand deposits in gold, and at least one-sixth of its special deposits. If the special deposits are large in comparison with the discounts, an additional reserve should be maintained in New York or London, to provide for heavy withdrawals, without inconveniently curtailing discounts. Should a bank, from want of agencies in these cities, be unable profitably to employ a reserve fund, it might be invested in Government debentures.

I must, however, observe that beyond requiring the banks to keep a certain reserve against their special and ordinary deposits, and by not granting charters to banks with small

capitals, I do not consider that it would be practicable to introduce into the bank charters any provision or amendment for the protection of their depositors. A large capital, good management, and adherence to sound principles of banking, afford greater security than the most stringent legislation, or the most carefully devised systems. Under every existing system banks have failed, and it has generally been found that this has been caused by mismanagement, and a departure from the ordinary rules of banking.

MR. ALLAN.—The satisfactory manner, and almost perfect security, with which the great majority of the banks have been managed, no loss to depositors or bill-holders having ever taken place, except in one possible instance, shows that the existing bank charters offer sufficient guarantee to the public on these points.

MR. STEPHENS.—I am clearly of the opinion that the existing bank charters do not give sufficient security to the public as regards their circulation. The speculative character that all commercial transactions have now currently assumed at the present day, so widely different from the past, on which our banks mainly depend—the relaxation of our laws for the collection of debts, all point to the great necessity of securing the bank circulation by a pledge or deposit of Government debentures, and I believe the people of Canada will ultimately accept of nothing else.

I am of opinion that the present bank charters, with the double liability clause, afford sufficient protection to the depositors, who, as a class, generally live in the immediate vicinity of the banks, and are engaged in trade, and are supposed to have ready means of informing themselves relative to the safety of any bank they intend using as a depository of their funds.

MR. STEVENSON.—I consider that a certain proportion of specie to deposits and to circulation should be held, and that the amount which each bank may issue, should not exceed the capital and the amount of specie it may have in possession after reserving a proper proportion in relation to the amount of deposits, and that the circulation should be a first charge on the assets of the bank. Had circulation been a first charge in the case of the Bank of Upper Canada, even then no loss would have been entailed on the holders of notes.

MR. CARTWRIGHT.—I think it would be expedient in future to give note holders a prior lien on all assets belonging to a bank.

As to depositors, I think the larger ones can take care of themselves, while the Government savings' banks afford all necessary facilities for the smaller.

MR. STRATHY.—If the present charters were amended as suggested in my answer to Question 3 I think the interests of bill-holders and depositors would be safely secured.

MR. HAGUE.—The charters of the banks, in my judgment, may be amended in several particulars so as to give greater security to the creditors, while preserving at the same time to the country the advantage arising from the full development of legitimate banking resources, both of credit and of capital.

The first of these amendments would be to fix a minimum amount on which a bank shall be chartered, and to limit the number of branches in proportion to paid-up capital.

The second, to provide that no institution shall commence operations until a certain proportion of its capital is paid-up, and actually held in specie, the fact to be certified by a Government officer.

The third, would be to introduce such provisions as would make the double liability of stockholders available in case of need, within a reasonable period.

The fourth, to require such statements of accounts as would check illegitimate operations.

The fifth, to prohibit any but moderate dividends being paid until a reserve fund was accumulated; and to provide that such reserve shall be again made up if impaired by losses.

The sixth, to require a certain proportion of demand liabilities to be held in specie.

The seventh, to limit the amount of circulation to paid-up capital and Government securities, and provide that any excess shall be covered by specie in hand over and above the amount required to fulfill the previous recommendation.

I further observe that I would by no means consent to the incorporation of all the above named restrictions in charters which required circulating notes to be covered by Government securities.

MR. WILMOT.—I have already given my opinion, that so far as the circulation is concerned, they do not give sufficient security; depositors must be the sole judges of where they place their money. I have no other suggestions to make.

Messrs. Rae, Vezina, Woodside and Killam answered in the affirmative.

QUESTION 13.—*Are you of opinion that the provision of making shareholders liable for double the amount of their stock is a necessary one; and are there any, and what difficulties in the way of its being practically enforced? What would, in your opinion, be the effect of introducing the principle of unlimited liability?*

MR. PATON.—The double liability of shareholders which is so difficult to enforce, and if enforced, would in many instances be oppressive, might, I think, be dispensed with, were the bank issues secured by Government debentures, and by a moderate specie reserve. Noteholders may be deemed involuntary creditors of a bank, and should, therefore, be fully protected; depositors are voluntary creditors, and it is only reasonable to suppose that they are capable of looking after their own interests, by inquiring into the management and resources of a bank, before intrusting it with their money. If the principle of unlimited liability were introduced, I believe that all the banks in the Dominion would be wound up, as I do not think that responsible shareholders could be found in this country, willing to incur unlimited liability.

MR. ALLAN.—I think the double liability clause in the bank charters is unjust and unnecessary, and should not be continued. It could only be enforced against a few, and is therefore oppressive. The introduction of unlimited liability would immediately reduce the value of bank stock, cause great numbers to sell out, particularly of the more wealthy class, and greatly increase the rate of discount.

MR. STEPHENS.—I am of opinion that the double liability clause should be retained if the present bank charters are to be renewed. Under the National banking law of the United States the double liability clause is wholly unnecessary, and would be an impediment.

MR. RAE.—The present double liability system would be useful if it could be enforced equally against all stockholders, but in the cases of foreign residents this is almost impossible, and therefore it should cease to be the rule.

MR. STEVENSON.—I would not recommend the introduction of the principle of unlimited liability; but I would recommend the introduction of a provision, that in case of default or failure, creditors should by law be competent to claim upon shareholders after six months have expired.

MR. WOODSIDE.—I think that the provision of making shareholders liable for double the amount of their stock is not a

necessary one, as most of the banks are prohibited from paying dividends out of capital, and so long as capital is intact the public can suffer no loss.

MR. CARTWRIGHT.—I doubt if this provision affords any real security to the public. It seems very questionable if recourse can be had to the shareholders till all the assets of the bank are finally exhausted, a process usually extending over several years, by which time the original creditors have, in most cases, parted with their property to speculators of various kinds.

MR. HOPE.—Shareholders in banks of deposit should only be liable for the amount of their subscribed capitals.

MR. HAGUE.—I consider the double liability clause of such practical value, as to be deserving of special enactments to give it effect. There are no difficulties in the way of its enforcement, provided that clauses with that end in view are inserted in the bank charters. In case of the insolvency of a chartered bank, its affairs should pass into the hands of a Government officer whose duty it would be at once to notify all the stockholders of their responsibility; and be empowered, after a specified time, to make calls upon them in the same way as is done in Great Britain under similar circumstances.

Messrs. Stevenson, Vezina, Strathy, Jack, Killam and Wilmot agreed that the double liability of shareholders was a desirable provision.

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QUESTION 14.—*What, in your opinion, is the minimum of capital on which a bank should be chartered; what its maximum; and can you point out any features in any existing charters, whether of the late Province of Canada, or of the provinces of Nova Scotia or New Brunswick, which are either too restricted or too unguarded?*

MR. PATON.—The minimum capital ought to be $1,000,000, and the maximum $6,000,000.

MR. ALLAN.—The minimum capital of a chartered bank should be $1,000,000, and the maximum $8,000,000, in the present circumstances of the Dominion.

MR. STEPHENS.—In granting bank charters for the Dominion, I am of opinion that $100,000 should be the lowest, and $2,000,000 the highest amount of capital allowed to any single bank. These wholesome limits I believe would be the best for the purpose of diffusing banking facilities throughout

every portion of the Dominion of Canada, wherever capital is most needed for the advancement of the national interests of the country.

I have most carefully examined the charter of the Bank of Montreal, which I suppose to be nearly the same as the charters of the other banks of the late Province of Canada, and I can see nothing of moment that could be changed for the better, except substituting the American system in its place.

MR. RAE.—$1,000,000 as the minimum, and 6,000,000 as the maximum.

MR. STEVENSON.—$1,000,000 minimum. I would establish no limit as to the maximum.

MR. VEZINA.—Not less than $1,000,000, and not more than $4,000,000.

MR. WOODSIDE.—$1,000,000 is, in my opinion, the minimum of capital on which a bank should be chartered, and $5,000,000 to $6,000,000 a maximum. It is better to have a few large banks than many small ones.

MR. CARTWRIGHT.—This is a difficult question to answer. Practically, as business is at present carried on in Ontario, *i.e.*, with an unlimited number of agencies scattered over a wide expanse of country, I think $1,000,000 the minimum on which a bank should be chartered, but I am by no means prepared to say that this rule should hold in other provinces or even in Ontario under different conditions. There are, however, serious objections to allowing small banks the right of issuing notes, and I think it very doubtful if any bank should be permitted to exercise this privilege till it possessed a million of actually paid-up capital.

I see no good reason for fixing a maximum beyond which a bank shall not be permitted to increase its capital. I am convinced that this matter may be safely left to regulate itself, and further, that if the commerce of this country goes on increasing in the same ratio as heretofore, it will necessarily require larger and wealthier banks than heretofore.

I think the limitations as to the total indebtedness which banks may contract of doubtful policy, but am not aware that any practical inconvenience has arisen therefrom.

MR. HOPE.—No new bank of deposit should be chartered with a less capital than $1,000,000, nor more probably than $5,000,000, and should not go into operation before ten per cent. of the chartered capital was paid up.

MR. STRATHY.—I think that no bank should be chartered with a capital less than $1,000,000. I do not consider it necessary to place any limit to the maximum.

MR. HAGUE.—I believe the system of central banks with large capital, having branches in the smaller towns, to be of greater advantage to the community, than one of small banks diffused over the country, each with its separate capital and management. Experience, both on this continent and in Europe, shows that the former has several particular advantages:

1st. In respect to capital—

With the same amount of capital, much greater results can be attained. Economy in the use of capital is the very essence of modern banking practice, and, without it, it would have been impossible for commerce to have attained to its present development.

2nd. In respect to management—

Other things being equal, the system of large banks requires and will develop a better style of management, and consequently result in greater safety to creditors and stockholders. I believe, therefore, that a capital of $1,000,000 is the minimum on which a bank should be chartered, and of this, not less than $200,000 should be actually paid up at the commencement. With respect to a maximum, I believe that so far as the requirements of commerce and general business in Canada are concerned, every need would be satisfied by a limitation to $4,000,000. Considering the amount of realized capital and annual business of England, France and America respectively, a bank in Canada, with $4,000,000 of capital, would have far more in proportion than either the Bank of England, the Bank of France, or any bank in the United States.

A bank with too large a capital, in Canada, is apt to extend its operations into foreign countries, in a manner which is not contemplated by its charter. It is to be observed further, that an institution with too large a capital is apt to acquire a position and power which is inimical to the public good.

With respect to existing charters, I have already pointed out features which are susceptible of amendment. It would be desirable, in any new legislation on the subject, to increase the qualification of directors, and to limit the amount of their discount accommodation to the amount of their paid-up stock in the market. I think also that a reduction of capital should be prohibited.

MR. ROWLEY.—A maximum or minimum capital for banks could not in all cases be fixed alike. As a general rule, perhaps,

it would be as well to require that every bank applying in future for a charter should have a subscribed capital of not less than $200,000.

MR. WILMOT.—Under a free banking system, each locality could regulate its banking capital by the securities it could offer; but under the existing system, the experience in New Brunswick is that the banks of small capital go the wall when the foreign exchanges are adverse to the province, or a panic seizes the holders of bank notes.

MR. LEWIN.—I do not think any bank should be chartered with a paid-up capital less than $500,000, and a larger sum is desirable.

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QUESTION 16.—*Would it be desirable, if the present system of independent banks is continued, to limit the number of branches and agencies in proportion to paid-up capital?*

MR. PATON.—It would be very desirable to limit the number of branches and agencies in proportion to paid-up capital, if the present system of independent banks is continued.

MR. ALLAN.—The necessity of providing capital for the management of its branches and agencies, will always form a sufficient restriction on banks, to limit the number of branches they may establish.

MR. STEPHENS.—I would under no circumstances allow any bank in the Dominion to establish any branches or agencies other than for exchange and collection, and even this should be done reciprocally through the agency of other banks. The principle, in my opinion, is bad in every respect. In the first place, it is unsafe and hazardous to the bank establishing such branches or agencies, frequently under a single person of limited experience in the place, controlling for banking purposes capital which ought to be owned by, and be under the management of, a local or a district bank-board of resident directors, if the safety of bank capital and the general interest of the whole Dominion is to be considered. Besides, these branch banks or agencies are monopolizing a privilege that honestly and rightfully belongs to the several districts of the country, and also prove a competing obstacle to the establishment of local banks, with resident proprietorship and direction.

MR. RAE.—No; because one system of management may prefer a limited number of large branches, whilst another system may prefer a greater number of small agencies.

MR. STEVENSON.—I am of opinion that the number of branches and agencies should be limited, in the case of banks having a small paid-up capital. A bank with one million of capital should not have more than four agencies.

MR. WOODSIDE.—If the present system of independent banks be continued, the number of branches or agencies which each may open can safely be left to the directors. It is not desirable that the Legislature should interfere more than is necessary.

MR. CARTWRIGHT.—No doubt this ought and would be done, under a proper system of management, but it hardly appears to be a proper subject for legislative interference. I think any fixed value in such cases would do harm.

MR. STRATHY.—I think it would be desirable to do so.

MR. HAGUE.—Considering the great difficulty of managing the loans and discounts of an institution where such loans are made at many points, I am of opinion that it would be desirable for such a limitation to be imposed. In the loans and discounts of a bank, and in these alone, with very rare exceptions, are to be found the causes of success or failure. When a bank has branches (and I have already pointed out their advantage under proper management), nothing but constant attention from the centre to all points can ensure that operations will be sound and legitimate. The ensuring of such vigilant control is (other things being equal) a matter of payment to officers, and of the ability of a large or small institution to afford it. It is a matter which directly depends on the amount of capital, and I would, therefore, be in favor of establishing a proportion between the number of branches and paid-up capital.

MR. ROWLEY.—The number of branches or agencies to be established by any bank would depend upon their means and resources. This does not appear to be a branch of banking that requires legislative regulation; it regulates itself.

MR. WILMOT.—It would be difficult for Parliament to interfere in this matter, without being charged with giving encouragement to monopolies.

QUESTION 17.—*What amount should a bank be allowed to issue of circulatiou, in proportion to its capital? Ought there, in your opinion, to be any restriction as to deposits? What proportion of specie and bullion to circulation, and what, if any, to deposits, should a bank be obliged to hold in its vaults, and what limitations would you impose as to the denomination of the circulating notes? Do you consider the system existing in Nova Scotia, under which private associations or co-partnerships issue notes for circulation, a sound one or the reverse?*

MR. PATON.—A bank circulation should be restricted to the amount of its paid-up capital, and its deposits to double that amount, unless the surplus is secured by a gold reserve, equalizing the excess. The proportion of specie to circulation, if the notes are secured by Government debentures, should be one-fifth, if not one-third. The special deposits requiring notice of withdrawal should be in the proportion of one-sixth, and current accounts payable on demand, of one-third. The denomination of notes should not be lower than one dollar. I consider the system of private associations issuing notes, as in Nova Scotia, to be very unsound.

MR. ALLAN.—The circulation of a bank should never exceed its paid-up capital. The present denominations of notes are quite suited to the wants of the country, Any restriction in deposits would injure the public as well as the banks. In England they form the chief basis on which they transact their business, as they amount sometimes to 20 or 30 times the paid-up capital of the bank.

MR. STEPHENS.—A bank under the present system of banking in Quebec and Ontario may be allowed to issue one hundred and fifty thousand dollars of circulation to one hundred thousand of actual paid-up capital with safety, and a similar ratio of circulation upon larger amounts of capital. I know of no restrictions by law that are necessary in regard to the amount of deposits.

MR. RAE.—A bank should be allowed to issue an amount of circulation equal to its capital and Government securities on hand. No other restriction as to deposits than that now existing, which provides that the total liabilities shall not exceed three times the amount of capital actually paid-up.

MR. STEVENSON.—The circulation should be limited to the capital and specie on hand, after deducting from the specie one-fifth for deposits. I think the time is distant when it will be

considered necessary to impose any restriction as to deposits. The increase of wealth appears to be steady, but very gradual. The denominations of notes should not be less than five dollars.

MR. CARTWRIGHT.—If the circulation be fairly obtained, and the natural result of the business of a bank, I can see no need of any restriction, especially if the circulation be made a first lien. It is possible, however, that some restriction may be required to prevent undue forcing of notes into circulation.

I think no restriction as to amount of deposits is required in practice, and that it is objectionable in theory.

A bank might, perhaps, be obliged to hold specie to some extent as against its circulation, but I doubt the propriety of laying down a rule as to its deposits. As a matter of prudence a bank should generally have a reserve of specie, or its equivalent in cash at call in other banks, equal to almost one-third of its circulation, and deposits payable on demand, or at very short dates. I have not considered the question of amount of individual notes sufficiently to speak with confidence upon it. The existing system works well in Ontario, and I should be averse to change it.

MR. STRATHY.—I see no necessity for any change in the present law under which banks are allowed to circulate to the amount of their paid-up capital stock, specie, and Government debentures. There should be no limit to the amount of deposits, a due proportion of specie being maintained.

MR. HAGUE.—I do not regard the limitation of circulation as of the essential importance which some theorists attribute to it. It might, however, be desirable to limit the amount of circulation in Canada to capital and government securities. As to restrictions on deposits I may observe, that as the deposits in the banks of Canada are far smaller than in those of most other British colonies, and not to be compared in amount with those of the banks of the agricultural districts of England and Scotland, the question of their limitation is scarcely a practical one. It may become practical if the day ever arrives for Canada to possess an enormous accumulation of unemployed capital. If our deposits were $150,000,000, instead of the very small sum at which they stand now, it might be worthy of inquiry whether capital were large enough in proportion.

With regard to the retention of specie in proportion to circulation and deposits, I am not aware that the current notions on the subject are founded on any principle. The practice of

bankers of equal stability and strength varies so widely, that no rule can be drawn from example. All experience shows that it is a mere delusion to suppose that the retention of a specie reserve has much to do with the real strength of a bank. An insolvent institution may make a good show of specie for years before its stoppage; and what is still more to the point, may have a very heavy reserve of specie or its equivalent on the very eve of failure. Both these instances have happened in Canada within the last few years.

It cannot be too often repeated that the real strength or weakness of a bank is in its loans and discounts. As to his specie reserve, a prudent banker will take care to retain at least double the amount he is ever likely to be called upon for at any one time, and in any circumstances. If his discounts rest on legitimate business operations, and with such a reserve, nothing that can happen will impair his safety.

With regard to circulating notes, I am not sure but that it would be desirable to prohibit the issue of any denomination under four dollars. The runs upon banks, which have occasioned so much excitement at various times in Canada, have been almost wholly confined to the holders of notes of less value than four dollars, that is to the poor and ignorant portions of the community.

MR. JACK.—In Nova Scotia the banks may issue notes to double the amount of their capital. Practically they are unable to issue anything like this amount. If they were restricted to an amount equal to their capital paid up, it would be sufficient for all that is required. I do not think there should be any restriction as to deposits.

It does not seem to me advisable to permit the issue of notes of a less denomination than $5.

MR. WILMOT.—I have already expressed the opinion that no notes should be issued without the deposit of security, and then the circulation would depend upon the amount of capital. It is the duty of Parliament to provide that what purports to be money should be unquestionably secured. I see no reason why there should be any restriction with regard to deposits, as every one has the right to judge where he deposits his money.

MR. LEWIN.—A bank having a legitimate circulation equal to its capital ought to have a profitable business, and it is a matter for consideration whether it should not be restricted to that amount. I am not aware of any sufficient reason for restricting the amount of deposits a bank may receive.

With respect to the denomination of circulating notes, a bank should provide and issue notes of such denomination as experience teaches the convenience of the public with whom they transact business requires. I am not aware of any reasons which apply to this country for imposing limitations by charters.

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QUESTION 18.—*Do you consider the present provisions in the Bank Charters of Ontario, Quebec, Nova Scotia and New Brunswick, in regard to the direction and management and the scale of voting by shareholders, adequate? If not, suggest such amendments as, in your opinion, it would be advisable to adopt?*

MR. ALLAN.—The system of sliding scale voting and restricting large shareholders from their legitimate influence in the election of directors has tended to injure the banks, by rendering powerless, and hence apathetic, those who had the greatest interest in their good management. This threw the control of their affairs into the hands of those who suffered little or not at all, whatever the result might be. Even in the failures which have taken place, the public (*i.e.*, the note-holders) sustained no loss in one case, and probably none in the other.

Every share should have a vote, and powers of attorney or proxies should be renewed each year.

MR. STEPHENS.—In regard to the scale of voting, and the direction and management of the banks of Ontario and Quebec, I see no necessity for any change or amendments that would be an improvement.

MR. RAE.—I think the scale of voting should be in proportion to the shareholder's interest, in other words, one vote for every share.

MR. STEVENSON.—The present scale of voting has been found to work well in the main.

MR. VEZINA.—I am in favor of the scale of voting at present established by the existing charters.

MR. WOODSIDE.—I consider that the provisions in the bank charters of Ontario and Quebec are capable of improvement. I would respectfully suggest that instead of the present sliding scale for voting for directors, that every stockholder should have one vote for each share of stock owned by him on which all calls have been paid.

MR. CARTWRIGHT.—I think the old system of voting by a diminishing scale in inverse ratio to the number of shares, was open to grave objections, and I have reason to know that it hampered the action of shareholders to a much more serious extent than would appear at first sight. I would suggest that each share be allowed a vote.

MR. STRATHY.—I see no necessity for any change in the present charters, in respect to the directors, management, or scale of voting.

MR. HAGUE.—As to shareholders, the equitable plan is for the voting power to be commensurate with the stock. This can only be secured by giving a vote to each share.

MR. LEWIN.—I have not access to all the charters referred to. In my opinion each share should be entitled to one vote.

NOTES

With the article in this issue Prof. Shortt concludes the task which he set for himself, of clearing up that obscure period in the history of currency and banking in Canada "between the Conquest and the appearance of the first banks," the point at which the thread is taken up by Dr. Breckenridge's work.

It will readily be understood that the preparation of this series of articles involved a great deal of painstaking research, and it is a matter of satisfaction that the one missing chapter which they constitute in the history of banking in Canada should have come to be so admirably written.

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The minutes of evidence of the Select Committee on Banking and Currency of 1868 constitute a document of great importance historically, and the Editing Committee have felt warranted in enlarging the present issue of the Journal beyond the usual dimensions in order to admit of its publication in an abridged form. It has to do with a period in which many of the distinctive features of the present system of banking—some of which were then being proposed for the first time—were subjected to strong attack from several quarters; and it reflects clearly the nature of a most notable struggle which took place over the lines on which the first general Bank Act should be framed. It also indicates by what arguments the Government were induced to frame legislation on existing lines, and to whom the result is, in measure, to be attributed.

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The views expressed by Mr. Bertram in his article in this issue of the Journal, are lent additional force by a perusal of an address read at the Imperial Institute, London, on 22nd March

last, by Dr. Schlich, C.I.E., professor of forestry. He submitted statistics showing that the annual average imports of timber into the several parts of the Empire during the years 1890-4 amounted to £19,134,000, while the exports averaged £5,114,000, leaving the net imports into the Empire at the enormous sum of £14,021,000, an increase of £2,293,000 in six years, or a mean annual increase of £382,167. The United Kingdom was by far the greatest importing country within the Empire, having taken timber to the amount of £17,595,000 out of the total of £19,135,000. During 1894 the timber imported into Great Britain and Ireland from British colonies and dependencies was valued at £4,274,484, and from foreign countries at £14,149,055. By far the larger portion of the timber imported into the United Kingdom came from Russia, Sweden, Norway, Germany, France and the United States, Canada being the only British dependency which at all equalled the export countries on the Baltic. Canada was estimated to contain 1,248,798 square miles of woodlands, but enormous tracts of that area did not contain any useful timber, while the remainder was by no means so well taken care of as it ought to be. Fires were frequent and disastrous, and the quantity of timber thus lost to the colony was calculated to be many times more than that cut down and exported. Notwithstanding those drawbacks, however, he believed that with proper management and careful conservation of the forests, Canada might, at a moderate relative expenditure, supply the whole world for many years to come. He advocated the creation of a forest department in Great Britain, the careful conservation of existing and the creation of new forests by planting vacant lands, the establishment of schools of forestry and model plantations for the guidance of private owners, and Government grants in aid of those objects.

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In a recent issue of the *Journal of the Institute of Bankers of New South Wales*, the following reference is made to the subject of unprofitable banking accounts:

The question of petty banking accounts has again cropped up, this time in the Sydney press. The correspondence there-

on can hardly be said to have added fresh information to a matter which admits of no serious doubt. Every banker will feel himself compelled to admit that there exists some limit, however ill defined, below which banking becomes an absurdity. Nor is it denied, by some at least, that in these colonies facilities have been accorded to many persons who not only get a valuable convenience free of cost, but do so at a demonstrable loss to the bank. Take, for example, a case cited by a suburban banker in the columns of the Sydney *Morning Herald*; an account whose average yearly credit would not amount to more than £20. (We have direct evidence that there are very many below that average). At 3 per cent. £20 would be worth 12s. per annum, and for this modest remuneration the bank has to pay (or refuse), it may be one, two or three hundred cheques every year, finding all stationery, making 1,000 entries or so, balancing and the rest. Now, an account of this kind, and it is a really respectable one in comparison with many others, means nothing less than a positive loss. It is all very well to urge that collateral advantages may exist, accounts of that nature can readily be sifted from those we have in view. The upshot of the whole matter is that in one of the most profitless eras of colonial banking, the banks still see fit to conduct a large mass of business which could well support a moderate charge. We are the more inclined to regret this attitude in the interests of the bank-officers themselves.

These remarks apply with equal force to an enormous mass of petty accounts conducted by the banks in Canada. It is satisfactory to note that at a number of points in the province of Ontario the practice now prevails of making a small monthly charge for operating petty accounts. It is, however, by no means general as yet, and to branch managers at points where no action has been taken in the matter, the views of our Australian contemporary, quoted above, are commended. It is a somewhat curious fact that in estimating the value of the service afforded by banks through the medium of the "current account," not only the public but many branch managers also, overlook the onerous nature of the responsibility devolving upon the banks in connection with the endorsements of bills and cheques.

QUESTIONS ON POINTS OF PRACTICAL INTEREST

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

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

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

Forged and Irregular Endorsements, etc.

QUESTION 76.—Sub-section 3 of the amended section 24 of the Bills of Exchange Act says in effect that the drawer shall have no right of action against drawee for the recovery back of the amount so paid, or no defence to any claim made by the drawee for the amounts so paid, as the case may be, unless he gives notice in writing of such forgery to the drawee within one year after he has acquired notice of such forgery, etc.

(1) In the case of cheques on banks, who but the drawer himself is to give him notice of such forgery, or to determine the date on which he acquired such notice? Should not the fact of his signing to the bank a receipt for his cheques, and a statement that he finds his account correct to a certain date, oblige him to give notice within a year of that date to give him right of action against the bank to recover on a forged cheque paid before that date?

(2) If I send Robt. Waugh a notice by registered letter that I hold his note, if the note is a forgery is he bound to notify me of this fact within a year from the date of my notice in order to escape liability on the note? If the bill is drawn say at three months date, it would be long overdue before he need repudiate it.

ANSWER.—(1) The notice of forged endorsements referred to in the proviso to sec. 24 of the Bills of Exchange Act is clearly the discovery by the drawer that it had been paid on a forged endorsement. As to when he acquires this knowledge is entirely a question of fact, which would have to be proved in the same way as any other question of fact, in the event of the bank on which he made the claim resisting the same on the ground that he had not given notice within the proper time.

(2) Sec. 24 does not apply to the case described, where a man receives notice that a note has been discounted bearing his name, which he knows to be a forgery.

We do not think it follows that the Act, in declaring that no claim shall exist after a year, is intended to give a party the right to sleep on his claim for that year, and thereby injure the bank's position, perhaps destroying its chance of getting back the money. All that the proviso means probably is that notice given a year after the discovery shall not avail. It leaves the question of whether the notice given within a year is good or not to be dealt with under the ordinary principles of law.

Warehouse Receipts, etc., Signed by Attorney

QUESTION 77.—(1) Do banks take warehouse receipts or assignments under section 74 of the Bank Act, signed by attorney?

(2) If the goods were made away with, could the principal be prosecuted criminally?

ANSWER.—(1) We think it is the practice of banks to take warehouse receipts or securities under section 74 given by the customer's attorney, and that such practice is proper and necessary.

(2) The customer would be liable criminally for doing away with the goods, unless he was unaware of the fact that his attorney had given security to the bank. The attorney would also be liable criminally if he personally should dispose of the goods improperly.

The Act Respecting Interest

QUESTION 78.—(1) In what shape did the usury bill pass?

(2) How will it affect banks re-discounting private bankers' paper? Many private bankers take notes, say at 6 months, with interest at 10%.

(3) If a note representing a loan is drawn for a lump sum representing the principal and interest at a higher rate than 6%, without any mention of the rate on the face of the note, would the new law apply?

ANSWER.—(1) The interest bill as passed provides in effect that unless the rate per cent. per annum is expressed, interest at 6% per annum only can be collected.

(2) The Act will apply to private bankers' paper held by a bank if the terms of any note so held brings it within the scope of the Act—that is, if a bank takes from a private banker a note which bears a rate of interest per diem and not per annum, it can only regard the note as a security bearing 6% per annum.

(3) The note described may be, as between the maker and the lender, a note which includes interest, but so far as any other holder of the note is concerned, it is a bare promise to pay the amount of the note at maturity, without any reference to interest at all, and would, in the the hands of a holder in due course, constitute a valid claim for its face amount. The Act does not interfere with contracts of this kind. If, for example, a man should sell a private banker a note of $100 for $10, there is nothing to interfere with his right to claim the $100 at maturity, and any subsequent holder, who acquired the note in good faith before maturity, would be, if possible, in a better position than the payee.

Renewal of a Note without Surrender of the Original

QUESTION 79.—John Smith and Henry Jones are promissors on a note. At maturity a renewal note is taken bearing John Smith's signature only, the old note being retained, however, uncancelled. John Smith fails before the renewal note matures. Can Henry Jones be held on the original note?

ANSWER.—Henry Jones could be sued for the debt, provided no questions of principal and surety came in. If the two parties to the original note were both principal debtors such an arrangement as you describe would not discharge either of them, and even if the one whose name was not on the renewal note was a surety his liability could be preserved by a suitable agreement. The law bearing on the matter is fully discussed in the case of *Dixon v. Gorman*, reported on page 418 of vol. III of the JOURNAL.

Documents Payable to Married Women in their Maiden Names

QUESTION 80.—(1) Mrs. Smith's maiden name was Mary Jones. She presents to a bank for payment a cheque payable to Mary Jones. Has she authority to endorse "Mary Jones."

Are there any legal points involved in this case?

(2) If she holds mortgages must she have her name on these changed?

ANSWER.—(1) A cheque given to a married woman, drawn payable in her maiden name, is clearly her property, and she has a right to endorse it in her maiden name. It is customary in such cases, to have the endorsement made in some such way as this:

"Mary Jones, wife of John Smith.
Mary Smith."

There are no legal points involved. The question is purely one of identity.

(2) Mortgages taken in her maiden name are not affected by her marriage. There are different ways in which assignments and releases are drawn in such cases. She might, for example, be described in the document as "Mary Smith, wife "of John Smith, etc. etc., formerly known as Mary Jones, of "the Town of ————, Spinster." In this case, also, it is merely a question of making the identity clear.

Cheque drawn to "Order" altered to "Bearer" by Drawer after being marked good.

QUESTION 81.—A cheque drawn payable to John Smith or order is marked good by a bank, specially to pay a pressing claim of John Smith's. Subsequently it is altered by the drawers—who are also the holders—from "order" to "bearer," and cashed at an outside bank by the drawers, who used the money to satisfy what they considered a still more pressing claim than that of John Smith.

Can payment of the cheque be legally refused by the bank until endorsed by John Smith?

ANSWER.—The bank on which a cheque which has been materially altered after being marked good, is drawn, would have the right to refuse payment, not because of the want of any particular endorsement, but because it is an altered cheque, and therefore void under sec. 63 of the Bills of Exchange Act.

The usual question arising out of such circumstances as you mention is whether the bank is justified or safe in paying the cheque. On the principle suggested in our reply to question 46, the answer to this would be that if the bank had come into privity with the payee of the cheque, by the cheque having come into his hands after they had accepted it, they certainly could not then pay it to another person without his consent. If, however, the cheque has remained in the hands of the drawer, and has never been delivered to the payee, any arrangement between the bank and the drawer respecting the cheque would be free from risk.

The Redemption of Canadian Bank Notes

QUESTION 82.—The answer to Question 75 in the Association's JOURNAL for quarter ending June last, seems to imply that Canadian bank notes are only payable in gold or legal tender at the place of issue (usually the head office of the bank), whereas, by section 55 of the Bank Act, is it not intended that these shall be so payable at the several points therein?

ANSWER.—Question 75 in the July number of the JOURNAL had reference only to the duty of the bank to pay its notes in gold or legal tenders at the place of issue, and to avoid any misunderstanding, the obligations of a bank as regards other branches than those at which its bills are made payable were discussed.

As far as section 55 is concerned, it is, of course, clear that a bank must redeem or pay its bills in gold or legal tender notes at its various redemption agencies. There is this distinction, however, to be observed, that if a bank should not have established such agencies, while it would have contravened the law and become liable to the penalties imposed under the Act, the absence of an agent to whom its notes could be presented for payment, would scarcely constitute dishonour of the notes.

The full answer to another question: what obligations is a bank under with regard to the payment or redemption of its note issues? would be as follows:—A bank is bound to take such notes in payment of debts at any of its offices; it is bound under penalties, to provide redemption agencies at certain points named in the Act, and at such agencies to pay any notes presented in gold or legal tender; and it is bound to pay in gold or legal tenders all notes presented at the place at which they are by their terms made payable. There are other obligations following on failure, etc., which need not be discussed.

Memoranda of Partial Payments endorsed on a Cheque

QUESTION 83.—A. gives his cheque to B. in payment of a debt, and B. endorses to C. The cheque is dishonored. A., later on, makes partial payments in respect of the debt represented by the cheque, the amounts so paid being noted by C. at one end of the back of the cheque, but without any indication as to who made the payments, thus:

July 2nd—Received $5 on cheque.
" 5th—Received $3 " "

C.

The bank afterwards pays the cheque to the holder, at its face, ignoring or not observing the memoranda on the back.

Would the bank be liable to the drawer in respect of the amount of A.'s debt thus overpaid?

ANSWER.—We think there was nothing in the circumstances to operate as a countermand of the express terms of the cheque. The bank would have been justified in withholding payment until the endorsment had been explained, and it would have been wiser to have adopted such a course, but we think they are entitled to charge the whole amount to their customer's account.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

THE right of a party to assign a claim represented by a non-transferable deposit receipt—which he has always been understood to have, although the document itself is not negotiable in the ordinary sense,—has been affirmed in a recent case before the Manitoba courts: *In re Commercial Bank of Manitoba; Barkwell's Case.*

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The Rights of Co-sureties inter se.—An interesting point respecting the rights of co-sureties among themselves arose in the case of *Whitfield v. Macdonald*, and was thus disposed of by the Supreme Court:

"It cannot be successfully contended that in point of law one of two co-sureties who has in his hands moneys of the principal debtor, deposited with him for the express purpose of paying the creditor, cannot be compelled by the other co-surety to pay such money to the creditor, or if the latter has already been paid by the surety seeking relief, then to pay over the amount to the latter."

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Payment by Cheque Sent Through the Mails.—The judgment in the case of *Pennington v. Crossley*, reported in our July number, has been reversed by the Court of Appeal. The decision of this Court, does not, however, affect in the slightest degree the principles of law involved, which were somewhat fully discussed in the editorial note at page 414. The Court of Appeal differed, however, from the Court below in the inference to be drawn from the custom which had existed between the parties, the Court of Appeal holding that the practice was not such as to justify the inference that there had been a request on the part of the creditors that the debtor should send them a cheque by mail.

Appropriation of payments.—In a recent case of *Cory & Co. v. the Hamidieh Steamship Co.*, an important finding has been made by the House of Lords as to when a creditor has the right to elect to which portion of his debtor's obligations a payment shall be applied. The law in the matter is set out with great clearness in the following extract from the judgment of Lord Macnaghten:

"There can be no doubt what the law of England is on this subject. When a debtor is making a payment to his creditor he may appropriate the money as he pleases, and the creditor must apply it accordingly. If the debtor does not make any appropriation at the time when he makes the payment, the right of application devolves on the creditor. In 1816, when *Clayton's case* was decided, there seems to have been authority for saying that the creditor was bound to make his election at once according to the rule of the civil law, or, at any rate, within a reasonable time, whatever that expression in such connection may be taken to mean. But it has long been held, and is now quite settled, that the creditor has the right of election 'up to the very last moment,' and he is not bound to declare his election in express terms. He may declare it by bringing an action, or in any other way that makes his meaning and intention plain. Where the election is with the creditor it is always his intention, expressed or implied or presumed, and not any rigid rule of law, that governs the application of the money. The presumed intention of the creditor may no doubt be gathered from a statement of account or anything else which indicates an intention one way or the other, and is communicated to the debtor, provided there are no circumstances pointing in an opposite direction. But so long as the election rests with the creditor, and he has not determined his choice, there is no room, as it seems to me, for the application of rules of law such as the rule of the civil law, reasonable as it is, that if the debts are equal, the payment received is to be attributed to the debt first contracted.

"'*Clayton's case*,' observed Baggallay, L.J., 'was decided upon the principle that in the absence of any express intention to the contrary, or of special circumstances from which such an intention could be implied, the appropriation of drawings out to the payments in, as adopted in that case, represented what must be presumed to have been the intention of the parties concerned; and so viewed, the decision is quite consistent with the like presumption being rebutted or modified in another case in which the circumstances were such as to negative any intention to make such an appropriation of the drawings out to the payments in.'"

Knowledge of a bank officer imputed to the bank.—The judgment of the Supreme Court of New South Wales in *McMahon v. Brewer et al.* (reported in this number), imposing on a bank responsibility for the act of its agent, who used his position as trustee of an estate to commit a fraud in connection with moneys on deposit with the bank, suggests that banks generally may be incurring very serious risks of which they know nothing. In the case referred to, a trustee—to quote words used in another court—"performed acts which would have been lawful if they had been honest," and the bank was held bound to make good a deposit withdrawn by the fraudulent trustee in his capacity of agent for the bank, being thereby debarred from setting up in its defence acts within his apparent rights as a trustee but which were not honest.

It is worthy of note, however, that in a recent case of a somewhat similar kind decided by the Supreme Court of Pennsylvania (*Gunster v. Scranton Illuminating, Heat & Power Co.*), the reasoning and the conclusion of the court were both on lines differing from those followed in *McMahon v. Brewer.* The head note of the American case referred to reads:

"Where a bank officer, who is also the treasurer of another corporation, discounts notes of the corporation, the proceeds of which he applies to his own use, his knowledge of the fraud is not imputed to the bank."

The facts here differ materially from the New South Wales case, for the bank was under no obligation to protect the other corporation, while in *McMahon v. Brewer* the judgment largely rests upon the duty of the bank not to pay any money on its customers' account except upon proper instructions and the consequent absence of any right to charge to the account payments which were, within its agent's knowledge, improperly made.

The following quotations from the judgment of the Pennsylvania Court indicate the reasoning on which it is based:

"The rule that knowledge or notice on the part of the agent is to be treated as notice to the principal, is founded on the duty of the agent to communicate all material information to his principal, and the presumption that he has done so. But legal presumptions ought to be logical inferences from the natural and usual conduct of men under the circumstances.

But no agent who is acting in his own antagonistic interest, or who is about to commit a fraud by which his principal will be affected, does in fact inform the latter, and any conclusion drawn from a presumption that he has done so is contrary to all experience of human nature.

"If it be urged, as in some cases, that the principal, having put the agent in his place, should, as a matter of public policy, be held answerable for all the latter does, a sound answer is suggested by the court in *Allen v. Railroad Co.*, that an independent fraud committed by an agent on his own account is beyond the scope of his employment, and bears analogy to a tort wilfully committed by a servant for his own purposes, and not as a means of performing the business intrusted to him by his master.

"In *Wilson v. Bank* it was said *per curiam*, 'The knowledge of Willcock as treasurer of the tool company cannot be imputed to the bank of which he was cashier, unless he revealed that knowledge to some one or more of its officers.'

"The decision does not rest directly on that ground, but the expression shows that the views of the court were in harmony with those we now express. Even, therefore, if the present case be made to turn on the question of knowledge, it was erroneously decided. But we do not regard knowledge as the pivotal point of the case. Upon that point both parties would stand equal. Both might, by mere inference, be charged with knowledge, as the fraud was committed by an agent with authority to act for both; but in fact neither had, or in the nature of things could have, any knowledge at all, and neither was under any obligation to presume that its agent would be guilty of fraud. The real question is, in what capacity did Jessup commit the fraud? And it is clear it was as treasurer of the appellee. It was as treasurer he presented the notes for discount, and as treasurer he drew the checks for the proceeds. Both acts were within his authority as treasurer, and would have been lawful if they had been honest, but he drew the money on drafts which were the property of the company, and when he embezzled the money it was the money of the company. The bank had no part in his act, and gained nothing by it. The fraud had its inception and its consummation in acts done in his capacity of treasurer of the defendant company, and it should bear the loss."

The opinions expressed above as to the effect of knowledge in such cases seem to us entitled to great weight, and we regard it as doubtful whether on appeal to the Privy Council the New South Wales judgment would be sustained.

Queen's Bench Division, England

Wheeler v. Young*

Whether or not a cheque has been presented within a reasonable time of its issue under sec 73 of the Bills of Exchange Act is a question for the jury.

This was an action brought by the plaintiff to recover from the defendant £23 12s. 2d. as a drawer of a cheque. The amount was claimed, alternatively, as rent of a house.

The plaintiff was employed by Messrs. Millington & Co., wholesale stationers, at 32, Budge-row, E.C. The defendant was tenant of a house belonging to the plaintiff at Weymouth. On Friday, March 26, the plaintiff received in London from the defendant the cheque now sued on. It was in payment of the half-year's rent due March 25, and was drawn on the Weymouth Old Bank. It was not crossed. The plaintiff resided at Streatham and kept an account at the Streatham branch of the London and South-Western Bank. He crossed the cheque specially to this branch. He did not however, send it to the bank on Friday, but kept it till Saturday, 2.30 p.m., when he posted it in London to the Streatham branch. The cheque was received at the Streatham branch on Monday and posted thence to the head office in London, where it was received on Tuesday, It was presented for payment on Wednesday. On that day the bank stopped payment and the cheque was dishonored. The defence to the action was that the plaintiff had been guilty of delay in presenting the cheque, which was the cause of its dishonour.

His Lordship left the case to the jury, directing them that if they found that the cheque was presented within a reasonable time their verdict should be for the plaintiff, and, if otherwise, for the defendant.

The jury found for the defendant and judgment was given accordingly.

**Times Law Reports.*

Queen's Bench Division, England

The Queensland National Bank Limited v. The Peninsular and Oriental Steam Navigation Company*

Held, that there is an implied warranty in the case of the carriage of specie that the room in which it is stowed on board ship is so constructed as to be reasonably fit to resist thieves.

This was an action for damages for breach of duty in the carriage of £5,000 in specie by sea.

The case came before the Court for the purpose of trying a preliminary point of law. The plaintiffs, under a bill of lading, shipped ten boxes, each containing 5,000 sovereigns, on board the defendants' ship the Oceana, to be carried from Port Jackson to Lloyds Bank in London. During the voyage one of the boxes was broken into and the money stolen. The preliminary question for the Court was whether there was an implied warranty under the bill of lading that the room in which the bullion was stowed was so constructed as to be reasonably fit to resist thieves. It was assumed for the purposes of the argument that the bullion room was defective. It was contended on behalf of the plaintiffs that the implied warranty of seaworthiness included, in the case of specie, that the vessel should be fit for the carriage of specie, having regard to the particular danger to which specie was liable—viz., the danger from thieves. On behalf of the defendants it was contended that there was no obligation on them to have the bullion room, or to place specie in the bullion-room. All they were bound to do was to use a reasonable amount of care.

Mr. Justice Mathew, in giving judgment for the plaintiffs on the preliminary point of law, said that he assumed that there was on the ship a room called the bullion-room; that the bullion was shipped with the knowledge that there was such a room; and that the room was defective. That being so, the question was whether there was included in the ordinary warranty the obligation that the room should be capable of resisting thieves, the ordinary warranty being that the ship should be fit to carry the cargo safely to its destination. He was satisfied that there was such an obligation.

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*Times Law Reports.

Supreme Court of New South Wales*

McMahon v. Brewer and Others

The agent of a bank, being in his personal capacity one of two trustees of an estate, by fraud obtained his co-trustee's signature to an order upon the bank for the payment of money at credit of the trustees' account. This order was cashed by the agent of the bank himself, in the absence of the teller, and the proceeds misappropriated.

Held, that the knowledge of the agent that the cheque was not the joint cheque of the trustees must be taken as the knowledge of the bank, and that therefore the bank was liable to the estate for the amount of the order in question.

A statement of the facts of this case is embraced in the following judgment delivered by the Chief Justice:

This was an appeal by the Bank of New South Wales, one of the defendants, against the decision of Mr. Justice Manning, who held the bank liable to account to the plaintiff for the sum of £552 10s., being the amount of a cheque purporting to be drawn by the trustees of the estate of one Thomas Gregan, and which the plaintiff as one of the beneficiaries of that estate, contended was improperly paid by the bank. The facts necessary for the present matter may be shortly stated as follows:— Edward Brewer and Anne Gregan, two of the defendants, were trustees of Thomas Gregan's estate, and, as such trustees, had a fixed deposit in the Bank of New South Wales for the sum of £1,000. Brewer was at the same time manager of the branch of the bank at Waverley, where the fixed deposit was payable. When this deposit fell due Brewer obtained his co-trustee's signature to the deposit receipt upon the representation that this sum was to be replaced upon fixed deposit. He then signed his own name, and wrote above the names "Please renew £500 and pass £500 to the credit of current account." In point of fact a current account had been previously opened at this branch in the names of the trustees for a special purpose, which had been satisfied. However, the £500 together with the interest due, was passed to the credit of this current account. Thereupon Brewer, upon some false representation, obtained his co-trustee's (Anne Gregan) signature to a blank cheque, then without her consent or knowledge filled it up for £552 10s., signed it himself, and in the absence of the teller cashed it, and applied the proceeds to his own use. The question now arises whether under these circumstances the Bank of New South Wales is liable to the trust estate for this amount of £552 10s.? In other words whether that amount must not still be considered as standing to the credit of the trust in the bank? It is quite

**Journal of the Institute of Bankers of N.S.W.*

clear that if Brewer had forged the name, Anne Gregan, to the cheque, and the bank had paid the cheque, the bank would remain liable. It is said, however, that inasmuch as the signature was was not forged, and although this cheque not having been authorised by Anne Gregan, may be a forgery as regards her, nevertheless cannot be considered a forgery so as to make the bank liable, and the case of *Young v. Grote* (which on this point is not affected by the case of *Scholfield v. the Earl of Londesborough*), is relied upon. It seems to me that a consideration of the true relationship between the parties will solve the question without much difficulty. Brewer and Anne Gregan, were as trustees, customers of the bank, and as such customers there stood to their credit a sum of £552 10s. and upwards. True, Anne Gregan was not aware of this credit. It had, in fact, been brought about by a fraud practised upon her by Brewer; but there it was, and once there the relationship of bank and customer sprang up, which is a relation of debtor and creditor, with the superadded obligation on the part of the bank to honour the customer's cheque to the extent of the customer's balance. There must also, in my opinion, be an implied, if not express, obligation on the part of the bank that none of the officers of the bank, who by the bank are placed in a position to pay the customer's cheque, will pay a cheque which the officer knows is not the cheque of the customer, and this whether the signature is in fact that of the customer or not. It is obvious that Brewer in paying the cheque for £552 10s., was acting in his capacity as an officer of the bank, and he knew, no matter how that knowledge was acquired that he was paying a cheque which was not the joint cheque of Anne Gregan and himself. If I am right, then, in assuming that part of a banker's obligation to his customers is that none of his officers will pay a cheque which he knows is not the cheque of the customer, then it is obvious that in this case the Bank of New South Wales has not fulfilled its contract as bankers, and must be considered as still holding this sum of money to the credit of the trust account. It is said that the initiation of the fraud perpetrated by Brewer was in placing the endorsement, to which I have referred, upon the deposit receipt, and this he did as trustee and not as a bank official. This is true; but this part of the fraud did not remove the money from the bank; it merely had the effect of placing it to the credit of the trust account, where it still remained in the bank, ready to be paid over upon the real cheque of the trustees. It was the honouring, by Brewer as a bank official, a cheque which was, to his knowledge, not the cheque of the trustees which has caused the loss. It has been argued that before the bank can be held liable the knowledge which Brewer possessed must be imparted to the

bank. I do not think so. I do not think that the doctrine of notice or knowledge enters into the consideration of this case. The principle upon which I form my judgment is that the bank has not fulfilled that part of its obligation to its customer, which I hold to be an incident in their relationship. It seems to me impossible to contend that it is any answer for a bank, when its customer demands money which, so far as he is concerned, ought to be to his credit, to say, "Oh! one of our officers, with full knowledge that the document was not in fact your cheque, though it bore your signature, paid it, and thus discharged our liability to you." I am therefore of opinion, although not for the same reasons which operated upon Mr. Justice Manning's mind, that the decree appealed against is correct, and accordingly this appeal must be dismissed with costs. This is also the judgment of Mr. Justice Owen.

Mr. Justice Stephen dissented, and in the course of his judgment said that he felt unable to hold that a contract existed between the bank and its customer in the general terms expressed by their Honours; or at all events if it did, that it had any applicability to the peculiar circumstances of this case.

Appeal dismissed, with costs.

UNREVISED FOREIGN TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Year ending 30th June—

	1896		1897	
Free	$38,112		$40,473	
Dutiable	67,250		66,242	
	$105,362		$106,715	
Bullion and Coin	5,225	$110,587	4,665	$111,380

EXPORTS

Year ending 30th June—

Products of the mine	$ 8,067		$11,311	
" Fisheries	11,170		10,365	
" Forest	27,080		31,319	
Animals and their produce	36,588		39,159	
Agricultural produce	14,105		18,101	
Manufactures	9,206		9,420	
Miscellaneous	190		155	
	$106,409		$119,833	
Bullion and Coin	4,695	$118,140	3,478	$123,311

SUMMARY (in dollars)

For the year ending June—

	1896	1897
Total imports other than bullion and coin	$105,362,000	$106,715 000
Total exports other than bullion and coin	106,409,000	119,833,000
Excess of exports	$1,047,000	$13,118,000
Net imports bullion and coin	530,000	1,187,000

IMPORTS

Month of July—

Free	$ 3,621		$ 3,724	
Dutiable	5,375		5,332	
	$ 8,996		$ 9,056	
Bullion and Coin	1,273	$10,270	330	$ 9,386

Month of August—

	1896		1897	
Free	$ 3,633		$ 4,610	
Dutiable	6,374		5,890	
	$10,007		$10,500	
Bullion and Coin	1,077	$11,084	1,046	$11,546
Total for two months		$ 21,354		$ 20,932

EXPORTS

Month of July—				
Products of the mine	$ 747		$ 1,049	
" Fisheries	945		903	
" Forest	4,327		5,696	
Animals and their produce	3,301		4,913	
Agricultural produce	875		2,267	
Manufactures	731		919	
Miscellaneous	12		5	
	$10,941		$15,752	
Bullion and Coin	860	$11,801	23	$15,775
Month of August—				
Products of the mine	$ 823		$ 1,263	
" Fisheries	709		807	
" Forest	3,916		4,003	
Animals and their produce	4,072		4,267	
Agricultural produce	769		1,363	
Manufactures	798		793	
Miscellaneous	16		9	
	$11,105		$12,508	
Bullion and Coin	1,185	$12,290	45	$12,553
		$24,091		$28,328

SUMMARY (in dollars)

For two months, July and August—	1896	1897
Total imports other than bullion and coin	$19,003,000	$19,556,000
Total exports " " "	22,046,000	28,260,000
Excess of exports	$3,043,000	$8,704,000
Net imports of bullion and coin	305,000	1,308,000

STATEMENT OF BANKS acting under Dominion Government charter for the months of June, July and August, 1897, and comparison with August, 1896:

LIABILITIES

	30th June, 1897	31st July, 1897	31st Aug., 1897	31st Aug., 1896
Capital authorized	$ 72,958,684	$ 73,258,684	$ 73,258,684	$ 73,458,685
Capital paid up	61,949,536	61,952,129	61,959,547	62,220,759
Reserve Fund	27,070,799	27,670,799	27,070,799	26,348,799
Notes in circulation	$ 32,366,174	$ 32,709,475	$ 34,454,386	$ 31,509,154
Dominion and Provincial Government deposits	7,514,236	6,736,845	6,637,438	8,466,728
Public deposits on demand	71,466,457	72,609,727	74,949,375	65,264,335
Public deposits after notice	129,675,231	132,498,458	135,068,821	123,151,850
Bank loans or deposits from other banks secured	12,642	132,642	100,000	5,000
Bank loans or deposits from other banks unsecured	2,940,414	3,289,853	3,858,637	3,234,144
Due other banks in Canada in daily exchanges	106,583	247,703	126,619	83,411
Due other banks in foreign countries	408,529	292,970	360,692	200,157
Due other banks in Great Britain	2,693,051	1,981,347	2,116,546	2,166,101
Other liabilities	582,754	431,204	359,491	310,143
Total liabilities	$247,766,150	$250,930,301	$258,032,070	$234,391,104

ASSETS

Specie	$ 8,663,459	$ 8,582,576	$ 8,724,780	$ 8,329,295
Dominion notes	15,921,435	16,639,798	17,613,363	15,419,799
Deposits to secure note circulation	1,859,936	1,877,978	1,880,678	1,846,340
Notes and cheques of other banks	8,490,673	6,856,062	7,909,618	7,280,493
Loans to other banks secured	31,645	34,218	29,677	.....
Deposits made with other banks	3,706,062	4,311,954	4,598,522	3,950,753
Due from other banks in Canada in daily exchanges	188,784	230,970	165,951	135,619
Due from other banks in foreign countries	21,387,820	22,745,589	27,913,770	15,299,453
Due from other banks in Great Britain	8,131,042	11,906,864	12,249,663	10,747,400
Dominion Government debentures or stock	2,796,936	2,794,016	2,767,379	3,037,540
Public municipal and railway securities	25,588,948	26,860,069	27,355,818	21,215,102
Call loans on bonds and stocks	14,898,629	15,714,954	16,606,104	13,218,553
Current loans and discounts	208,527,690	204,580,844	202,457,187	207,410,954
Loans to Dominion and Provincial Governments	1,427,009	1,066,746	1,297,002	462,345
Overdue debts	3,534,163	3,591,219	3,636,793	3,661,064
Real estate	1,991,169	2,043,535	2,047,917	2,072,476
Mortgages on real estate sold	511,294	506,596	564,170	571,576
Bank premises	5,587,046	5,638,184	5,641,285	5,627,639
Other assets	1,959,974	2,261,575	2,345,474	2,448,863
Total assets	$335,203,890	$338,244,938	$345,805,354	$322,735,463
Loans to directors or their firms	$ 7,737,674	$ 7,168,617	$ 6,678,798	$ 7,106,713
Average amount of specie held during the month	8,702,067	8,681,771	9,492,800	8,501,135
Average Dominion notes held during the month	15,678,018	15,873,894	16,586,384	15,037,447
Greatest amount of notes in circulation during month	33,070,121	33,755,738	34,928,862	31,900,414

Monthly Totals of Bank Clearings at the cities of Montreal, Toronto, Halifax, Hamilton Winnipeg and St. John

(000 omitted)

	Montreal		*Toronto		Halifax		Hamilton		Winnipeg		St. John	
	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1895-6	1896-7	1896	1896-7
	$	$	$	$	$	$	$	$	$	$	$	$
September	45,251	44,763	22,543	24,870	4,694	5,036	2,706	2,829	4,008	4,630		2,283
October ..	53,298	48,399	28,437	29,242	5,613	5,387	3,402	3,131	7,911	7,585		2,292
November	54,397	50,215	28,633	29,129	5,444	5,063	3,363	2,856	8,503	8,895		2,362
December	54,138	51,033	33,728	33,146	5,462	5,547	3,224	3,051	6,641	7,736		2,566
January ..	46,663	43,577	33,095	31,117	5,705	5,135	3,227	2,863	4,977	5,009		2,200
February .	38,123	38,480	28,544	24,592	4,709	4,208	2,686	2,591	4,052	3,851		2,016
March ...	36,643	40,654	26,087	26,673	4,357	5,215	2,516	2,799	4,286	4,289		2,144
April	37,589	45,092	26,111	28,236	4,790	5,077	2,729	2,900	4,032	4,161		2,314
May	44,324	46,600	27,796	29,059	5,064	5,270	2,733	2,655	4,246	5,014	2,413	2,430
June	43,129	54,616	28,384	29,842	4,550	4,792	2,775	2,544	4,094	5,531	2,418	2,566
July.....	44,796	52,831	30,494	33,892	5,467	6,308	2,847	2,638	4,961	5,616	2,879	3,116
August ..	41,574	49,240	25,128	29,640	5,556	5,554	2,367	2,442	4,646	6,298	2,602	2,874
	539,925	566,100	338,980	349,438	61,411	62,592	34,575	33,299	62,357	68,615	10,312	29,163

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

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JOURNAL

OF THE

CANADIAN BANKERS' ASSOCIATION

JANUARY—1898

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

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

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

The following members were represented:

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

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

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

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

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

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

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

Mr. President and Gentlemen :—

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

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

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

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

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

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

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

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

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

AFTERNOON SESSION

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

PRESIDENT'S ADDRESS

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

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

MR. COULSON—Yes.

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

The motion being carried, the President said:

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

REPORT OF THE EXECUTIVE COUNCIL

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

6th October, 1897

To the Members and Associates :

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

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

LEGISLATION

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

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

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

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

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

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

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

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

MINOR PROFITS IN BANKING

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

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

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

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

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

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

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

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

RATES OF INTEREST ON DEPOSITS

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

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

GOVERNMENT RATE OF INTEREST

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

EXPRESS COMPANY COMPETITION

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

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

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

The matter has been promised careful consideration.

INFRACTIONS OF CLAUSE 100 OF THE BANK ACT

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

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

PROTECTION FROM BURGLARY AND FORGERY

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

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

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

USURY LAW

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

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

A GOVERNMENT MINT

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

ESSAY COMMITTEE

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

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

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

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

SUB-SECTION REPORTS

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

THE JOURNAL

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

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

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

MEMBERSHIP

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

Members	28	
Associates	1010	
		1038

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

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

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

BILLS OF LADING

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

UNFINISHED BUSINESS

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

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

All respectfully submitted.

For the Executive Council:

F. WOLFERSTAN THOMAS,
President.

PROTECTION FROM BURGLARY AND FORGERY

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

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

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

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

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

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

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

A UNIFORM BILL OF LADING

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MR. LASH—What was the decision ?

MR. HAGUE—We lost.

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

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

INSURANCE OF MONEY PARCELS—EXPRESS COMPANIES' COMPETITION

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

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

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

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

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

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

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

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

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

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

RULES RESPECTING ENDORSEMENTS—STATUS OF BANKERS' SECTIONS

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

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

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

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

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

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

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

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

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

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

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

The resolution was duly carried.

CLEARING HOUSE RULES

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

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

THE PRESIDENT—Please read the resolution again.

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

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

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

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

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

MR. LASH'S PAPER

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

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

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

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

Carried.

Mr. Lash consented to its publication.

RULES RESPECTING ENDORSEMENTS

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

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

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* Printed in full in this issue of the JOURNAL.

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

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

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

The motion was carried unanimously.

JOURNAL OF THE ASSOCIATION

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

To the Members and Associates:—

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

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

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

All of which is respectfully submitted.

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

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

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

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

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

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

SUB-SECTIONS, OTTAWA AND WINNIPEG

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

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

OTTAWA SUB-SECTION

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

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

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

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

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

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

GEO. BURN,
Chairman.

WINNIPEG SUB-SECTION

October 1, 1897

To the President and Members Canadian Bankers' Association.

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

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

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

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

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

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

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

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

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

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

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

Yours truly,

F. H. MATHEWSON
Chairman.

SUPPLY OF LARGE LEGAL TENDERS

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

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

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

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

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

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

The motion was then adopted.

BANKING HOURS

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

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

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

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

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

MR. LASH—Yes.

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

MINIMUM MONTHLY BALANCE

The President then presented the following resolution:

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

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

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

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

FINANCIAL STATEMENT, SUBSCRIPTIONS, AUDIT

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

GENERAL STATEMENT

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

GROSS REVENUE ACCOUNT

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

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

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

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

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

This was seconded by MR. STIKEMAN and carried.

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

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

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

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

MORNING SESSION

7th October, 1897

PROTECTION FROM BURGLARY AND FORGERY

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

REPORT

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

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

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

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

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

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

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

The motion being put was declared carried.

INCREASE IN EXECUTIVE COUNCIL

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

Motion agreed to.

INTEREST ON DEPOSITS

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

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

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

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

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

Carried.

THE GOLD STANDARD

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

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

CANADIAN SILVER AND SMALL NOTES

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

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

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

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

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

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

The resolution was adopted.

ESTABLISHMENT OF SUB-SECTIONS

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

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

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

Carried.

—

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

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

EXPRESS COMPANIES, MINOR PROFITS, ETC.

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

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

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

THE PRESIDENT—What do they charge you?

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

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

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

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

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

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

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

After further debate the following resolution was submitted :

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

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

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

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

NEXT ANNUAL MEETING

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

—

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

—

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

ELECTION OF OFFICERS

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

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

HONORARY PRESIDENTS

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

PRESIDENT

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

VICE-PRESIDENTS

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

EXECUTIVE COUNCIL

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

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

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

—

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

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

The vote was made unanimous amidst loud applause.

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

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

ADDRESS OF THE PRESIDENT OF THE CANADIAN BANKERS' ASSOCIATION

DELIVERED AT THE SIXTH ANNUAL MEETING OF THE ASSOCIATION

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

THE PAST YEAR

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

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

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

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

OUR OWN TARIFF

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

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

2. A careful regard to vested interests of manufacturers;

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

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

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

GOLD AND IMMIGRATION

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

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

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

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

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

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

IMMIGRATION AID

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

THE CANADIAN CLIMATE

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

FORESTRY

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

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

EXPRESS COMPANY COMPETITION

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

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

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

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

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

GOVERNMENT COMPETITION

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

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

EXTENSION OF CIRCULATION

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

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

BRANCH BANKING

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

SHORT CREDIT TERMS

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

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

BI-METALLISM

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

TRADE WITHIN THE EMPIRE

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

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

Exports to Australasia, for eight months, ending 28th February, 1896	$7,840,610
Exports for eight months, ending 28th February, 1897	12,292,338
Increase	$4,451,728
Exports to British Africa for same period, 1896.	$6,544.829
Exports for same period, 1897	9,150,046
Increase	$2,606,217

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

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

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

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

THE MINT

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

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

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

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

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

OUR FUTURE

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

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

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

OUR INTERESTS BEFORE THE COURTS

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

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

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

AN INSOLVENCY ACT

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

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

OUR ASSOCIATION

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

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

THE QUEEN

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

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

ENDORSEMENTS OF VARIOUS KINDS, RESTRICTIVE, STAMPED AND OTHERWISE

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

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

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

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

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

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

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

ation of the various classes of endorsement somewhat in detail.

ENDORSEMENTS WHICH ARE WHOLLY STAMPED

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

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

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

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

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

I have in another paper, which appears in the October

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

CHAP. 10

"AN ACT RESPECTING FORGED OR UNAUTHORIZED ENDORSEMENTS "OF BILLS

"*Assented to June 29th*, 1897

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

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

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

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

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

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

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

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

RESTRICTIVE ENDORSEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ENDORSEMENTS BY AGENTS

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

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

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

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

ENDORSEMENTS BY CORPORATIONS

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

Section 22:

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

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

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

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

Section 90, Sub-sec. 2 :

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

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

CONDITIONAL ENDORSEMENTS

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

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

An example of a conditional endorsement :

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

SUMMARY

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

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

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

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

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

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

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

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

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

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

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

CONVENTIONS AND RULES RESPECTING ENDORSEMENTS

I. REGULAR ENDORSEMENTS

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

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

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

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

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

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

II. IRREGULAR ENDORSEMENTS

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

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

III. RESTRICTIVE ENDORSEMENTS

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

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

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

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

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

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

"Credit.....bank."

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

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

IV. FORM AND EFFECT OF GUARANTEE

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

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

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

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

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

V. ENDORSEMENT BY DEPOSITING BANK

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

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

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

VI. REGULAR ENDORSEMENTS WHICH ARE WHOLLY STAMPED

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

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

VII. RESTRICTIVELY ENDORSED ITEMS

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

The reason for this rule has been already explained.

VIII. IRREGULARLY ENDORSED ITEMS

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

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

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

IX. LETTERS OF CREDIT, DEPOSIT RECEIPTS, ETC.

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

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

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

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

X. AGREEMENT AS TO PRACTICE

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

Z. A. LASH

September, 1897

PRIZE ESSAY COMPETITION 1897

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

SENIOR COMPETITION

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

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

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

JUNIOR COMPETITION

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

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

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

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

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

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

1. COMPETITION BETWEEN BANKS

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

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

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

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

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

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

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

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

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

**Bullion on Banking*, p. 55.

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

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

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

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**Bullion on Banking*, p. 54.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. OUTSIDE COMPETITION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

EXPRESS COMPANIES

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

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

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

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

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

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

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

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

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

*Teller.

*The Canadian Bankers' Association

*Reciprocal Draft

*No.

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

†28th April, 1897.

*$

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

.....*Dollars.

*To
†J. C. McKeggie & Co., †Bank of Montreal,
†Stayner, Ont. †Victoria, B.C.

*Or
*Any Chartered Bank in Canada.

*†Manager.

*Countersigned

*Printed.
†Written, or rubber stamped.

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

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

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

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

Commission to be collected by the issuing bank.

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

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

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

A uniform charge of say ⅛%, with a minimum of 10c, to be made by all banks and bankers for cashing express money orders.

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

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

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

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

LOAN COMPANIES, ETC.

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

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

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

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

LIABILITIES

Year	Deposits	Debentures	Total Liabilities
1874	$ 4,614.812	$ 19,992	$16,229,407
1884	13,876,515	32,268,367	87,819,437
1894	20,782,944	57,541,710	141,523,231

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

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

No of Companies	Aggregate of Deposits	Amount of Reserve	Percentage
6	$1,073,554	$ 2,257	¼ of 1%
4	888,673	7,914	1%
7	2,517,518	55,416	2¼%
3	2,700,050	138,920	5%
3	1,309.800	112,942	9¼%
1	129,648	14,819	11%
24	$8,619,243	$332,268	4%

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

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

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

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

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

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

PRIVATE BANKERS

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

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

CONCLUSION

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

D. M. STEWART

30th April, 1897.

THE DUTIES AND RESPONSIBILITIES CONNECTED WITH THE BILL DEPARTMENT

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

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

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

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

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

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

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

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

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

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

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

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

(3) Bills drawn by retail dealers upon consumers.

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

(5) Kites or accommodation bills.

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

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

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

*(*Gilbart.*)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

F. M. Black

THE BANK OF ENGLAND AND SILVER

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

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

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

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

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

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

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

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

The following also appeared in my annual address :—

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

F. WOLFERSTAN THOMAS,

Retiring President, Canadian Bankers' Association.

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To the above communication the following reply was received :

(*Cable*)

LONDON, 15th October, 1897

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

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

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

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

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

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

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

I am, dear sir,
Yours faithfully,
(Sgd.) J. H. TRITTON, Hon. Sec.
London Clearing Bankers

MEMORIAL REFERRED TO IN THE PRECEDING

OCTOBER 13th, 1897

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

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

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

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

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

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

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

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

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

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

REPLY TO THE MEMORIAL ABOVE

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

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

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

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

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

The Lord Hillingdon

NOTES

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

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

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

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

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

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

Fiscal year ended June 30th	No. of money order offices in operation	Amount of orders issued	Excess of receipts over expenses paid from proceeds
1865	419	$1,360,122	.....
1866	766	3,977,259	$7,138
1867	1,224	9,229,327	26,260
1868	1,468	16,197,858	54,158
1869	1,466	24,848,058	65,553
1870	1,694	34,054,184	90,174
1871	2,076	42,164,118	101,181
1872	2,452	48,515,532	105 977
1873	2,775	57,516,216	68,584
1874	3,069	74,424,854	105 198
1875	3,404	77,431,251	120,142
1876	3,401	77,035,972	190,770
1877	3,697	72,820,509	99,931
1878	4,143	81,442,364	202,952
1879	4,512	88,254,641	223,960
1880	4,829	100,352,818	257,575
1881	5,163	105,075,769	252,314
1882	5,491	113,400,118	280,341
1883	5,927	117,329,406	311,704
1884	6,310	122,121,261	247,875
1885	7,056	117,858,921	243,974
1886	7,357	113,819,521	233,023
1887	7,853	117,462,660	511,617
1888	8,241	119,649,064	541.272
1889	8,727	115 081,845	533,964
1890	9,382	114,362,757	524,374
1891	10,070	119,122,236	549,671
1892	12,069	120,066,801	547,500
1893	18,434	127,576,433	568,951
1894	19,264	138,793,579	625,590
1895	19,691	156,709,089	661,032
1896	19,825	172,100,649	730,646
1897	20,031	174,482,676	790,230
Total	.....	$2,974,647,886	.....

The number of new money order offices established during

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

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

QUESTIONS ON POINTS OF PRACTICAL INTEREST

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

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

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

Witnessing Signature

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

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

Bank Notes and Legal Tenders

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

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

Insurance Certificates Accompanying Bills of Lading

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

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

Endorsement Placed Above Signature of the Preceding Endorser

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

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

Lost Drafts

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

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

Stop-Payment of a Marked Cheque

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

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

Transfers of Insurance Policies, or Property Covered Thereby

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

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

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

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

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

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

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

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

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

NOTES

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

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

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

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

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

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

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

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

Court of Appeal, England

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

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

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

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

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

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

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

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

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

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

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

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

Rigby, L.J., concurred.

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

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

Queen's Bench Division, England

Clarke v. London and County Banking Co.*

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

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

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

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The Law Reports.

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

LAWRENCE, J.: I agree.

SUPREME COURT, CANADA

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

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

The following are the facts in this case:

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

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

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

The judgment of the Court was delivered by

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

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

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

The appeal should be dismissed with costs.

Exchequer Court of Canada

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

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

The facts herein briefly stated are as follows:

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

Ottawa, 11th May, 1883

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

Yours very truly,

A. W. Ogilvie

J. M. Courtney, Deputy Minister of Finance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. If the receipt makes no special imputation, then

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

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

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

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

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

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

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

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

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

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

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

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

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

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

These two points are conceded by the Crown.

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

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

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

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

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

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

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

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

Supreme Court of Nova Scotia

McGregor et al v. Kerr*

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

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

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

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

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

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

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

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

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

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

Townshend and Meagher, JJ., concurred.

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

Court of Appeal, Ontario

Carrique v. Beaty

A promissory note made by two persons, one signing for the accommodation of the other, was, after maturity, signed by a third person :—
Held, on the evidence, that this third person signed as an additional maker and not as an endorser, and that there was, therefore, a material alteration of the note discharging the accommodation maker.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

UNREVISED TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

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

EXPORTS

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

SUMMARY (in dollars)

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

Monthly Totals of Bank Clearings at the cities of Montreal, Toronto, Halifax, Hamilton, Winnipeg and St. John

(000 omitted)

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

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

LIABILITIES

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

ASSETS

Specie	$8,750,689	$ 8,754,736	$ 8,844,025
Dominion notes	17,586,188	17,283,787	14,720,782
Deposits to secure note circulation	1,779,454	1,881,704	1,834,294
Notes and cheques of other banks	9,093,759	8,214,133	7,149,216
Loans to other banks secured	28,500	22,000	150,000
Deposits made with other banks	4,094,247	4,175,721	3,808,802
Due from other banks in Canada in daily exchanges	172,376	224,209	175 462
Due from other banks in foreign countries	27,939,204	29,133,777	15,380,510
Due from other banks in Great Britain	12,462,134	13,038,952	10,141,919
Dominion Government debentures or stock	2,767,379	3,097,574	2.787,540
Public municipal and railway securities	27,802,341	28,394,466	21,251,943
Call loans on bonds and stocks	17,314,047	18,308,707	13.948,206
Current loans and discounts	206,779,863	208,485,640	214,159,871
Loans to Dominion and Provincial Governments	1,353,197	1,473,431	546,120
Overdue debts	3,622,730	3,615,117	3,871,688
Real estate	2,062,722	2,062,194	2,055,120
Mortgages on real estate sold	567,829	569,591	539,768
Bank premises	5,677,406	5,678,853	5,645,017
Other assets	2,420,619	2,124,683	2,501,861
Total assets	352,274,880	356,539,468	$329,512,330

Loans to directors or their firms	$6,897,049	$ 7,079,839	$ 8,159,958
Average amount of specie held during the month	8,743,943	8,771,666	8,315,777
Average Dominion notes held during the month	17,462,464	17,455,407	14,585,407
Greatest amount of notes in circulation during month	39,077,427	42,401,336	36,295,483

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CANADIAN CURRENCY AND EXCHANGE UNDER FRENCH RULE

I. BEFORE THE INTRODUCTION OF CARD MONEY*

THE general expansion of life in Europe during the fifteenth century, found special expression in the new commercial enterprise which began its rapid development in the latter part of that century and continued through the following one. The

* To avoid numerous references throughout the article it may be stated here that the chief sources for this study are the following:—

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

"Collection de Manuscrits Contenant Lettres, Mémoires, et Autres Documents Historiques Relatifs à la Nouvelle-France," Vol. I.

"Edits, Ordonnances Royaux, Declarations et Arrets du Conseil D'Etat du Roi, Concernant le Canada."

"Jugements et Délibérations du Conseil Souverain de la Nouvelle-France," Vols. I. and II.

"Lettres, Instructions et Mémoires de Colbert." Par Pierre Clément.

"Traité Historique des Monnoyes de France." Par M. Le Blanc.

"Histoire Monétaire des Colonies Francaises d'apres les Documents Officiels." Par E. Zay.

Canadian Archives, *Correspondance Generale*, Vols. I, III, VI, VII.

various countries of south-western Europe were eagerly overrunning the maritime world in search of new lands and that likely treasure with which the experience of Spain had encouraged their imaginations to fill them.

The Norman seaports of France were those best prepared to respond to the expanding trade of the country. The increasing demand for foreign goods, which followed the introduction of Italian luxury and art with the home-coming of Charles VIII, stimulated French shipping. There followed a rapid expansion of the trade and enterprise of such Norman towns as St. Malo, Dieppe, Rouen and Harfleur. Norman sailors roamed the ocean in many directions, but the fisheries of Newfoundland first attracted them to the northern coasts of America. There was little in the fishing industry to fire the imagination of romantic knights or excite the cupidity of kings and courts. It was therefore left to be developed into a very profitable trade by private enterprise, while more ambitious schemes were attracting the attention of the court, and squandering French life and treasure in other parts of the world.

When, after a hasty ransacking of America, the search for the still fabled riches of Cathay was once more resumed, efforts were made to get round the American continent which barred the way. Expeditions under royal patronage visited the northern waters of America, Verazzano leading the way in 1526, but vanishing somewhere in those stormy seas on a second attempt. Cartier followed him and discovered that the St. Lawrence route was not likely for some time to prove a successful highway to the East. But the Indians in the neighborhood of Montreal told him, what even then they understood that all Europeans wished to know, that by the shores of great inland seas of fresh water there was abundance of the precious metals. Thus the closing of one avenue of royal interest in Canada opened the door upon another. It also brought to a close the period of prosperous unmolested development of Canadian resources by private enterprise.

It is not necessary to record the list of dismal failures of gold-laced and high-titled schemes which followed, and which called forth the following observation from Montaigne, an

interested spectator: "I am afraid our eyes are bigger than our bellies, and that we have more curiosity than capacity: for we grasp at all, but catch nothing but air."

However, in the intervals of these gorgeous failures, there was going on, as best it might, during the sixteenth century, a good deal of private trade with the Canadian shores. The growing luxury of Europe was making a market for furs. These being obtainable at small prices from the Indians, afforded a much more profitable return than the fishing industry, which the fur trade at first supplemented, but afterwards almost supplanted.

Tadousac, at the mouth of the Saguenay, became the centre of the fur trade for a time, and here we come upon the first regular system of exchange carried on in Canada. It was simply a system of barter. Those early merchant adventurers laid in a stock of goods before leaving France, consisting mainly of arrow tips, swords, hatchets, knives, kettles, cloaks, blankets, hats, caps, shirts, various cloths, biscuit, tobacco, and various other trinkets. At first little liquor seems to have been disposed of. With these they sailed across the Atlantic, exchanging them with the Indians at Tadousac, or at other points, for furs such as beaver, elk, lynx, fox, otter, marten, badger and musk-rat. Returning to France they disposed of their furs and repeated the operation the next season.

Trade growing, competition increasing and profits falling, efforts were made by some to obtain from the king a monopoly of the trade, usually on condition of establishing a colony and supporting missionaries. Lescarbot, the first Canadian historian, puts the case for the monopolists in its best form when he says, "Whether is it better to have the Christian religion and the glory of France extended, or to have certain individual merchants grow rich who do nothing for either. These individual merchants will neither plant colonies nor save the souls of the heathen. Further, through the competition of the merchants, beaver is selling at 8½ l, whereas at the operation of the monopoly it was selling at 50 sols (2½ l)."

This gives the keynote of the general policy for the future. A monopoly of the Canadian trade was to be given to those who would undertake to colonize the country and

support missionary enterprises. The earlier holders of this monopoly did little for colonization or the spread of the faith, but interested themselves only in the commercial privileges. Champlain was the first to take any real interest in the building up of a permanent colony in Canada. In 1608 he began at Quebec, the first colonial settlement on the St. Lawrence. In 1609 Du Monts' patent of monopoly, upon which Champlain was working, expired and, as he failed to get it renewed, the following year the St. Lawrence swarmed with private traders eager for furs. So strong was the competition that they ran their vessels up to Montreal in the hope of intercepting fur-bearing Indians. This did not afford a very promising outlook for Champlain's colony, which hoped to live largely by trade with the Indians. However, this first year's experience somewhat checked the ardor of the private traders, though they still continue to come in considerable numbers. In 1611 there were 13 vessels at the head of navigation at Montreal. As these traders had no other interest in the country than the season's profits, their free trade system naturally came in for severe criticism at the hands of Champlain, who pointed out the impossibility of establishing a colony by their methods. Yet, when monopoly was once more established, he found that the various partners through whose hands it passed were actuated by precisely the same motives as the free traders, desiring to use their monopoly privileges to enrich themselves, not to establish a colony.

What few colonists were first settled at Quebec were not permitted to trade with the Indians or with one another; they were not permitted to manufacture articles for sale which might compete with the wares of the company; neither could they send anything to France or receive anything in return, on their own account. They must dispose of their surplus produce to the company and receive goods in return, both selling and buying being at prices fixed by the company. This system involved a very simple form of exchange for both the Indians and colonists. Such regulations effectively neutralized all Champlain's efforts. Only eighteen colonists were taken out during the fifteen years of the monopoly; all others were simply servants of the company. The company itself hardly remained for two

years in the same hands, though in one form or another it lasted for fifteen years, from 1612 to 1627. In 1627 we come upon the first truly national colonial policy of France. This was embodied in the colonial scheme of Cardinal Richelieu, the great minister of Louis XIII. Under his direction was formed the "Company of One Hundred Associates," possessing extraordinary privileges and expected to achieve great things. Its purpose was part of a great national policy which had for its object the elevation of France as a nation to the first place in Europe. This policy was certainly successful, but in the concentration of all the forces of the country upon its object it ultimately led to disaster through the disregard of the rights of the individual citizens.

Among the numerous rights which the company obtained was that of the entire trade in skins and furs, and for fifteen years a monopoly of all other Canadian commerce on land or sea, with the single exception of the cod and whale fishery. The settlers of Canada were thus cut off from all part in the external trade of the country. They were to be permitted to trade with the Indians and with one another, but the beaver skins which they obtained must be handed over to the company, or its agents, at the rate of 40 sols (2 l) per pound. The people were also forbidden to trade with any others than the Indians.

The capital of the company, which was fixed at 300,000 l, one-third of it paid up and the remainder on call, was the smallest feature in it.

We may gather from these conditions the limits within which exchange would be confined in the colony. There being but one channel, the company, through which all imports and exports were carried on, there could be no occasion for the use of letters of exchange or other medium between Canada and the mother country except for the bringing in of money or capital by the colonists or the sending of contributions from France for religious or other special purposes. All commercial exchange was merged in the business of the company. In Canada itself, after the settlers had ceased to be dependent on the company, there would be occasion for considerable retail trade and a corresponding need for a medium of exchange, especially for small coins.

The dealings with the Indians took the shape of direct barter and the product of that trade passed to the company in exchange for other goods for sustenance and barter. The need for a medium of exchange was, therefore, confined within pretty definite limits. To meet this need there was one article of universal acceptance which answered all the purposes of a medium of exchange, except for small currency, and that was the beaver skin. To a certain extent other furs shared this position, but none so adequately as the beaver, especially when the price at which it was receivable by the company was fixed.

The "Company of One Hundred Associates," though important as expressing in its organization and purpose the general French colonial policy for the next century, was destined to failure from the outset. Its first fleet of ships, coming with provisions, stores and settlers, was intercepted by the English under Kirke, and nineteen out of twenty vessels captured or destroyed. The following year Canada passed for a time into the hands of the English. The colony contained at the time only five families of settlers and about twenty acres of cleared land.

When Canada was restored to France in 1632, the company resumed its powers, but most of the original enthusiasm had evaporated in the meantime. Its privileges were transferred to a small association within the other, which, following the lines of its predecessors, took little interest in anything beyond the immediate profit from the trading monopoly.

Champlain, who still retained his interest in the colonization scheme, and who had gone out again as the first Governor of the country with 150 colonists, died in 1635, and no one seemed ready to take up his work. However, the Jesuits and other missionaries had now established themselves in the country, and were exciting a new interest in it through their famous letters or relations which were eagerly read throughout France.

In 1644 Montreal was established on a half religious, half military and wholly commercial basis, by a grant from the company to the Seminary of St. Sulpice.

In 1645 the company gave up its trading monopoly to the people of Canada, on condition of being relieved from the burden of maintaining the religious, civil and military establish-

ments of the colony, and of receiving 1,000 pounds of beaver annually. This freedom had for a time a stimulating effect upon trade, but it was soon found that a few Quebec merchants, owing to their central position and control over the foreign trade, enjoyed a virtual monopoly of the colonial traffic. This was further favored by the fact that all furs had to be brought to a central store to be received and taxed, in order to provide for the expenses of the colony and the subsidy to the company.

Notwithstanding these drawbacks, the change greatly enlarged the range of Canadian business transactions and necessitated a corresponding enlargement of the machinery of exchange. Letters of exchange began to pass freely between the colony and France, while the growing contributions from France in support of the missions and other religious institutions, must have added considerably to the business of exchange. An increasing quantity of coined money must have been coming into circulation at this time, for a little later we find that though still scarce outside the trading centres of Quebec, Three Rivers and Montreal, yet coined money was in regular use, especially for filling in the gaps between uneven barter.

During this time the colony was slowly growing, but after the Iroquois began to harass the outlying settlements, agricultural immigration almost ceased. Quite a number of merchants came to trade but few to settle. From 1650 to 1662 French interest in Canada may be summed up in two words—the conversion of the heathen by the missionaries, and the obtaining of their furs by the merchants.

The troubles of the Fronde distracted France itself and naturally lessened the interest in Canada. During this period money became scarce in France and was considerably increased in value. Values in Canada followed suit, though probably not responding very rapidly or very accurately. In 1653 an edict was issued in France with the object of restoring the currency to its former value, and to that end its nominal value was reduced by one-sixth. In accordance with this edict, the Council of Canada, the following year, July 18th, 1654, passed an ordinance declaring that the gold and silver coins of France having been reduced to their former values, the money in Canada should be reduced to the same basis, there being

added to it, however, "on account of the risks of the sea," one-eighth of its value in France. As small coins of copper or other alloy were not affected by this ordinance, we may assume that they did not suffer a similar reduction.

Inasmuch as there was little foreign sale for Canadian products other than furs, and yet a considerable need for French goods, any money which was brought to the colony by merchants or others naturally tended to return to France in payment for goods.

It was to prevent what little money there was in circulation, and especially the small change, from going out of the country, that the Government of the time, following a plan often resorted to in France itself in earlier times, artifically raised the value of all coined money.

An ordinance of the Council of Quebec of October 7th, 1661, states that the means hitherto adopted for attracting money to Canada and retaining it in the country had completely failed. The value in Canada being so nearly the same as that in France, there was no special inducement to bring money and little loss in carrying it away. Hence to remedy this condition, both for the public good and in the interests of trade, the Council ordains that from this time on the quarter ecu should pass in Canada at the rate of 24 sols, and the other gold and silver coins in like proportion.

The quarter ecu was a silver coin, issued in 1602, and discontinued in 1646, the value of which was 16 sols; hence its value in Canada was raised fifty per cent. above its real value in France. But if it had already been in circulation at an increase of one-eighth, or at 18 sols, being now raised to 24 sols, it would be current at an advance of one-third on its previous value in Canada. However, it must have been circulating at more than 18 sols, for we find that its new value was supposed to be approximately an increase of one-fourth on its previous value. This ordinance required the same proportionate increase to be made in the values of all the other gold and silver coins. But such a general statement could not be accurately applied, especially where the existing rates seem to have been but roughly adjusted. Hence it was found necessary the following year, March 20th, 1662, to publish a detailed tariff giving the

value at which each gold and silver coin should circulate. These values, according to the ordinance, were calculated on the basis of an increase of one-fourth, "as has been the previous practice." In this tariff the quarter ecu is rated at 26 sols, 8 deniers. From this and other values in the list we learn that they were at least one-third above the standard rate in France. However, from this time till the next change of the law in 1672, these ratings held good, and were understood to be an advance of only-one fourth. In making his report on the finances of Canada in 1669, Talon calculates all the funds sent to Canada on the basis of an increase of one-fourth.

These facts will serve to explain, in the few references to money matters which are met with in Canadian documents of the period, statements to the effect that the "money of the country" was circulating at an increase of one-fourth over the "money of France." They also quite dispose of the commonly accepted idea that in Canada money was first legally raised in value after 1670. The copper coinage was dealt with on a basis of its own.

Two small coins, the sol and the liard, were doubled in value, the sol being made to pass current for 24 deniers by Governor d'Avaugour in 1662, and the liard being rated at 6 deniers apparently at an earlier date. To some extent these regulations had the desired effect, for they virtually made the coins a kind of French goods which the merchants found it profitable to dispose of for furs at their enhanced values. But as the people could not afford to keep on hand anything that would sell or exchange, a great influx of coin was not possible until a larger market was provided for the country's produce. The special values given to the sol and the liard produced their natural effect a little later, as we shall see.

So completely at this time had the national interest in the building up of the Canadian colony died out, that it was seriously proposed to make the country a dumping ground for criminals. To protest against this plan and to urge the claims of New France upon the Government, Pierre Boucher, of Three Rivers, was sent to France in 1662, and there laid the situation before the court. Colbert had become chief minister the year before, and was reviving and improving upon the policy of Richelieu.

He resolved to have the king take over the colony from the decayed and indifferent "Company of One Hundred Associates," now dwindled to forty-five. Canada was to be made, as in Richelieu's original plan, an important colony, capable, by the development of its trade and industry, of becoming a large factor in the national expansion of France, especially on the side of her naval power which, like Richelieu, Colbert considered to be an all-important element in the development of a great state.

In 1663 an edict was issued creating the Sovereign Council of Quebec, though a body of more limited powers had been in existence for some time.

In order to obtain exact information as to the actual condition and future possibilities of the colony, Colbert sent out a special commissioner to make enquiries along specific lines. But even before sending out his agent he was convinced that the transfer of the trading privileges of the company to the people had been injurious to the colony. In their anxiety to get furs the inhabitants neglected the work of clearing and cultivating the soil. Colbert had evidently made up his mind to place the trade of the country once more in the hands of a company. But he desired the people to understand that in any such change the colony would not suffer, as the revenue derived from the fur trade would be expended in the country for its improvement.

Colbert permitted no time to be lost in the execution of his new schemes for the colonial, commercial and naval expansion of French power. In November, 1663, the Marquis de Tracy was commissioned to visit the American colonies, as lieutenant-general, with large powers and ample means in men and materials for the removal of all obstacles, the settlement of all disputes, and the placing of the colonies on a new footing of prosperity and progress. He went to the West Indies first, and did not reach Canada till 1665. In the meantime, however, Canada began to feel the stimulus of the new interest which was being raised in France. Just before this new period there were but 2,500 people in the colony, 800 of whom were in Quebec.

All accounts agree that there was little money in the coun-

try up to the year 1664. As already stated, French money in general was considerably over-rated. The need for small change was, of course, the most pressing, for while large transactions might be carried on by barter, it would be a very inconvenient system for small exchanges. The scarcity of money was felt in all the colonies, but a general remedy was first definitely sought and applied by Colbert. The suggestion for it seems to have come from the colonies themselves. The plan adopted followed the practice already established in Canada. The most pressing complaints, however, came from the West Indies.

In the year 1663, in which Colbert began to unfold his ideas of colonial expansion, an arret of the Council (in France) was passed, providing for the coining of 100,000 livres worth of money in silver and copper, for the use of the West Indies. But it did not take effect at once, the organization of the new company suspending all other matters for a time.

Meanwhile in Canada, increasing trade seems to have brought more money to the country. It naturally took the form of the cheapest coin—cheapest in France, dearest in Canada—being at the time sols, liards and doubles. In consequence of this extra importation we find an arret of the Sovereign Council of Quebec, passed April 17th, 1664, reducing the value of the liard to three deniers, it being previously current at six. In connection with this it is explained that both the liard and double were greatly over-rated on account of the previous scarcity of money, but that now certain people were making a trade of bringing in large quantities, and fearing that it might increase to the ruin of the colony this reduction is made.

On July 17th of the same year another arret is passed again reducing the liard from three to two deniers, in order, it is said, to prevent the profit on it from leading to its greater import. The normal value of the liard was three deniers and of the double two deniers, and as they seem to have circulated in Canada on a common basis, the only one upon which there could be a profit at three deniers was the double which appears to be aimed at in this arret.

At the same time the merchants of Quebec were anxious for the introduction of more money in general, and in a petition

to the Council, in France, June 14th, 1664, we find a characteristic French-Canadian request, to the effect that since the colony had now a little surplus grain his Majesty is asked to send out a regiment with money to buy and eat it in the country. They complain also that owing to the scarcity of money they can not get their debts collected. This was evidently true enough, because we find that on Nov. 17th a complaint is presented to the Council on behalf of the farmers living at a distance from Quebec. Owing to the want of mills in many districts the farmers were forced to come to Quebec to get their grain ground, and it was complained that the grain was seized upon by the merchants in payment of past debts. The Council forbade the seizures until mills should be erected.

Just here it may be noted that wheat was at one time a limited legal tender in Canada. By a determination of the Council of Quebec, July 30th, 1664, fixing the price to be charged for goods sent out by the king, a difference is made in some cases between the price in money and the price in grain. For instance, a tub of lard was valued at 80l. if paid for in grain and 75l. if paid for in money. Further light is thrown upon this point by a complaint presented to the Council to the effect that, there having been an arret established that wheat should be taken at the rate of 100 sols (5l.) per minot in payment of old debts, as also to facilitate the carrying on of business in the country, this was found to be very prejudicial to business, inasmuch as the price of wheat was inconstant. After considering this complaint the Council ordained, May 29th, 1665, that for the future those who were obliged to receive payment in wheat should be required to accept it only at current prices. The arret here referred to was evidently an ordinance of the Intendant Talon, who wished to provide an opportunity for the settlers to make use of their surplus products for the purchase of supplies. The making of wheat a legal tender at current prices was obviously a very indefinite settlement of the difficulty and could hardly have worked smoothly. At any rate we find, on March 19th, 1669, an ordinance passed, requiring the merchants to take the wheat of their debtors in payment at the rate of 4l. per minot. Talon brought the matter up on the ground that some creditors were refusing

to take wheat in payment of debts, or, if so, at a very low price. The ordinance, however, was to hold good for only three months from the date of its issue.

We have seen that Colbert believed that the commerce of the colonies could best be promoted by the establishment of trading companies. But instead of a number of small independent companies he proposed to establish two strong companies, one for the East and the other for the West Indies. The West India Company, which covered all the American colonies and part of Africa, was formally established on May 28th, 1664, and was even more favored by the government than Richelieu's company. Yet, notwithstanding all its extraordinary privileges and favors, it became bankrupt in eight years, and in 1674, the king resumed all the grants made to it. Though Canada was granted as a feudal possession to the company, yet the king continued to nominate the Governor and Intendant and otherwise direct the development of the colony.

The company being fully established, Colbert resumed consideration of the plan for a separate colonial coinage. In 1665 we find an arret of the Council which ordained the issue, from the mint in Paris, of a special coinage to the extent of 100,000l., exclusively for circulation in the countries granted to the West India Company. In the explanation which accompanies the arret it is stated that, from what the company represents, it is necessary to send to the islands and mainland of America a quantity of small coins, especially for the convenience of the working people. In the West Indies they were accustomed to receive their wages in sugar and tobacco, which were saleable only in France, whence the returns came the following year. As the other colonies paid their laborers in money, there was a tendency to leave the French Islands. It is also pointed out that money current in France would not remain in the colonies, those who trade to them being more anxious to bring back money than goods. Hence the king has been requested to issue a special coinage for the colonies which should have a distinct stamp and be artifically raised in value in order that there might be no inducement to take it out of the country.

This arret was not put in execution before 1670, when the

king issued a declaration that he was about to strike a special coinage for the islands and mainland of America. It reproduces much of the explanations in the arret of 1665, but adds, among other things, that the issue was to consist of two silver coins, one of 15 sols and the other of 5 sols and a double of copper of the value of two deniers. These coins were not to be taken to France on pain of confiscation and special punishment.

Though some of this new coinage was apparently used in Canada, yet it was specially intended for the West Indies, as may be gathered from the correspondence with Talon. In Colbert's letter of instruction to M. de Bouteroue, when going out to Canada as Intendant, and dated April 5th, 1668, he says: "With reference to the money it will not be necessary to make any considerable change in a country so undeveloped as that, but it will be necessary to take particular care that any evil, should there be any such there, should not increase, while at the same time he must seek to reduce it gradually."

We have already seen how the threatened over-supply of liards was prevented, by reducing their value. After the arrival of de Tracy and the troops that came with him, apparently with their pockets filled with cash, money became more plentiful in Canada. According to the Mère de l'Incarnation, writing at the time, "Money is common at present, the gentlemen have brought much with them. They pay in money for all they buy, as well for their food as other necessaries." In consequence of this and the increasing trade, the colony was next threatened with an over-supply of sols which, as already explained, were circulating at double their normal value. On January 10th, 1667, complaint is made to the Council of Quebec, that the sols are being brought from France in large numbers while other coins are taken away, until there is now almost no other in circulation. The Council ordains that from the first of February next, sols shall be current for only 20 deniers each, but for the rest of this month (January) they will be received by Sieur de la Chesnaye, in payment of public dues, at the old rate of 24 deniers. On the 31st of January it was found necessary to

make special arrangements to give warning of the change and to extend the time for receiving the sols at the old value, for the benefit of Three Rivers and Montreal.

Though the reduction on the sols was slight as compared with that on the deniers, yet it evidently affected the people to a much greater extent. A very general complaint seems to have been raised by the people on account of the loss with which they were threatened by the reduction about to be made. A subscription was opened, headed by de Tracy, the Governor, the Intendant, the West Indian Company and a number of others, to provide a fund to meet these losses on the part of the poor people. Incidently this indicates that money was now freely circulating among all classes in the colony. The same fact is further illustrated by a matter which came before the Council on Oct. 29th, 1668. The price at which the Company was to receive beaver had been fixed at 10l. per pound for the best grade. The company claimed, however, that all they could get for it in France was 8l. per pound. Hence to prevent themselves from suffering loss they had raised the prices of their goods in like proportion. But it was pointed out before the Council, that, inasmuch as now-a-days people no longer always purchased their goods with beaver but often with money, this practice was obviously unjust to the cash buyers. This being recognized, Talon proposed to reduce the price of beaver to 9l., on condition that the company should reduce the price of its goods; which being agreed to, the Council fixed it by an Act.

Returning to the matter of a special coinage for the colonies, which had taken practical shape in the West Indies in 1670, it would appear that the king had originally intended to make a special issue for Canada as well. In a memoir addressed to Colbert, dated Nov. 10th, 1670, Talon says that when he was in France the king had declared his wish to have a coinage struck suitable for the country, and which would remain in circulation in it. He considers that such a measure would be of the highest benefit to the country, and promises to do his duty in the matter when the necessary orders are issued.

In another part of the same memoir he intimates that the merchants of Canada are very anxious that the sum annually

set aside by the king for the assistance of the colony should be sent out in the shape of money, not in the form of goods. The reason for this was that the merchants desired to have the entire supply of goods in their own hands. This, Talon says, would simply result in the people paying twice as much for their supplies as the rate at which they are now furnished from the king's stores. Besides the present arrangement permits him to exchange the goods for grain with the settlers. He has undertaken to send goods to convenient places for exchange and to bring back wheat. Without doing this some of the new settlements would be entirely ruined. This plainly indicates that Talon was the author of the ordinance, already referred to, making wheat a legal tender at a certain price. It will be observed that there is no lack of harmony between Talon's approval of a special coinage for the colony and his disapproval of having the king's contribution to the colony sent in the shape of money, which, under the circumstances, would simply return to France for the purchase of fresh goods for the merchants.

Replying to Talon the following spring, 11th Feb., 1671, Colbert says: "Before the king can adopt any resolution with reference to the striking of a coinage for Canada, it will be necessary to know the required denomination and weight, also the circulation it would probably have in the colony. After that His Majesty will announce to you his intentions on the subject." This would seem to indicate that the coins already struck for the West Indies were not intended for use in Canada.

In a letter to Talon the following year, dated June 4th, 1672, Colbert writes: "His Majesty has considered the proposal to strike a special coinage for Canada, and as he considers it good and advantageous, he will issue the necessary orders to have it struck and sent out the following year." This purpose, however, was never carried out. It was apparently determined in the meantime to have the ordinary coins of France circulate in the colonies at an enhanced value. Thus we find an arret passed by the Council of State, Paris, 18th November, 1672, stating that the money issued for the Islands, etc., has been found to be of very great benefit, hence not only is it to be continued, but the current money of France is to be permitted to circulate

there also, but with increased values; the piece of 15 sols to pass for 20 sols, the 5 sol piece to pass for 6 sols 8 deniers, and the sol of 15 deniers to pass for 20 deniers, and other pieces in proportion. Henceforth all exchanges or contracts are to be reckoned in money, and not in sugar or any other goods. The sol of 15 deniers here mentioned was already increased one-fourth of its standard value.

Charlevoix says that this arret was made to apply to New France, and that in consequence the value of money increased one-fourth in Canada and resulted in much confusion in all the exchanges with France. Here, however, Charlevoix is partly mistaken, because for ten years at least the French money in Canada had been circulating at an advance of one-fourth or over. As we have just seen, the sol, the chief coin of the country, was reduced from 24 to 20 deniers, which is the value to which the arret raised it. In the introduction to a memoir on the card money prepared for the Council of Marine and given in Zay, considerable confusion is also found, the information obtained being either inexact or misunderstood. It is supposed, for instance, that the distinction between money of France and money of the country came in with the arret of 1672, which was certainly not the case, as there are numerous instances in which this distinction is mentioned from 1654 on.

Money becoming a customary medium of exchange, merchants were less willing to accept produce in lieu of it. We have already noticed that objection was made to taking payment in wheat. After 1672 contracts were being drawn requiring payments to be made in money. The two staple skins of the fur trade were the beaver and moose, which were receivable at fixed prices by the treasury of the colony, whether under company management or not, and afforded the chief basis for taxation at the rate of one-fourth of the beaver and one-tenth of the moose. The beaver seems to have been accepted in ordinary trade without much question, but after 1672 the merchants were beginning to refuse the moose skins. Hence the Council found it necessary to pass an arret, Sept. 27th, 1674, ordaining that the moose skins should pass current as a legal tender at their market price, and prohibiting anyone from refusing to accept them in payment of debts.

An agitation was made in 1679-80 to have a reduction made in others of the current coins, especially the four-sol piece, which it was sought to bring to its value in France. This, however, was refused, and on December 2nd, 1680, an arret was passed requiring that all coins should circulate in Canada at the same rate, namely, at an increase of one-third of their value in France. As we gather from subsequent ordinances, this was apparently intended to apply to foreign coins as well.

After Duchesneau became Intendant he proposed to the Government to send out to Canada 30,000 crowns, in order to increase the money in circulation; to which Colbert replied, on April 28th, 1677: "That which you propose with reference to the money, namely, the sending of a sum of 30,000 ecus to Canada, is not thought expedient. It is necessary that the trade, labor and industry of the people should attract money into the country. You yourself admit that Canada is as fruitful as France, and in addition to being able to produce all that France can, it has the fisheries." The truth was that Colbert, compelled to find money to support the operations of Turenne and Condé in Europe, had none to spare for the colonies.

At this time Canada was anticipating Colbert's advice to attract money to it by trade, although it was in a direction not at all relished by France and one that was to cause no end of trouble for the future. Canadian traders had discovered that the English and Dutch merchants of Albany, Boston and New York were anxious to buy furs, and at much higher prices than could be obtained in Canada. They were willing also to pay for them either in dollars (piastres) or in goods, the goods being cheaper than in Canada. Further, by selling to the English the tax of one-fourth on the beaver would be escaped. Under these circumstances a very lively trade was developed with the English colonies. Against this traffic the Government, both in France and Canada, directed all its verbal engines, but without much success. The highest officials in the colony, Governor and Intendant included, mutually accused one another of taking part in this illicit trade for personal gain. As one result of this traffic a steady stream of Spanish coins began to pour into Canada, consisting chiefly of the piastre or Spanish dollar and its fractions, one-half, one-fourth and one-eighth.

The farmers of the revenue were naturally much disturbed over the loss of revenue through the loss of beaver. The merchants of Quebec interested in the trade with France were also aggrieved, as it meant a loss of profit to them on both exports and imports. It was found, too, that though the English were paying high prices for beaver, yet they were unloading on the French traders all their worn and light coins. Numerous complaints were presented to the procureur general, and through him to the Council, on account of the merchants refusing to receive the coins. Hence an arret was passed September 17th, 1681, supplementing that of December 2nd, 1680, ordaining that all foreign money, gold or silver, should pass by weight, but increased by one-third of its value, according to the usage of the country. The full piastre was to be accepted at 3l. 19 sols 1 denier, while the light coins were to be reduced in value at the rate of 11 sols for every grain which they lacked in weight. It was forbidden to any one to refuse to accept these coins at this valuation.

In a country like Canada where it was simply impossible to ascertain the weight of coin in every transaction, this ordinance could not be worked. But, though this was soon discovered, yet owing to the quarrels between the Governor and Intendant, the business of the Council was so obstructed that it was not till January 13th, 1683, when de Meulles had succeeded Duchesneau as Intendant, that the matter could be remedied. The agent of the farmers of the revenue desired the Council to treat all foreign coins as France did, by entirely prohibiting their circulation. This, however, the Council refused to do unless the farmers of the revenue would undertake to buy up all the foreign money then in the colony, which of course they were not prepared to do. Hence the Council ordained that the piastre should pass current for four livres, if of full weight, and at decreasing rates according to the degree of their lightness. To get over the difficulty of constant weighing, they were to be stamped with a *fleur de lis*, and those of light weight were arranged in four classes, to be distinguished by Roman numerals stamped on them, while a scale of value was arranged for them. Similar provisions were made for the fractions of the piastre. None were to circulate without being stamped, and none to be refused that bore the stamp.

This arrangement seems to have settled the difficulty for the time. Governor De la Barre, writing to M. de Seignelay, in November, 1683, thus refers to the matter: "We experienced serious embarrassment in the month of January last in regard to dollars. They were here in some number, and a quantity of them being light caused considerable disorder among the lower classes. It not being customary in this country to weigh them, induced the Intendant and me to assemble an extraordinary session of the Council, at which it was resolved, subject to his Majesty's pleasure, to have the dollars of weight marked with a *fleur de lis*, and those which were light with some cypher fixing their value. This was done and is now in operation without any noise or difficulty."

This brings us to the eve of the introduction of card money in 1685, the nature and effects of which will be considered in the next paper.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston, March, 1898

THE REPORT OF THE MONETARY COMMISSION

TO THE EXECUTIVE COMMITTEE OF THE INDIANAPOLIS MONETARY CONVENTION

NON-PARTISAN efforts to improve the banking and currency of the United States have been frequent ever since the present system was established. Chief among these perhaps have been the untiring labors of comptrollers of the currency, since the close of the Rebellion, to perfect the legislation regulating the exercise of the discount and deposit functions by national banks. But during the last decade, and particularly since the crisis of 1893, the attention of those interested in the matter has been directed to the larger problems presented by the distribution of American credit and the character of the American currency. Public men and students, periodicals and organizations have proposed measures of relief, now from the inelasticity of the circulation and the dangers of a fiduciary currency inadequately protected, now from the financial difficulties of the Government and the excessive restriction of banking enterprise. Sometimes the proposals have been so comprehensive as to include the reform of all four main evils and of their corollary disadvantages as well.

An example of the endeavor directed against particular defects can be found in the action taken by the American Bankers' Association in 1894, when they approved the Baltimore plan of note issue against general assets. It is probable that this vote and the subsequent agitation were due in part to the work of Walker, Hague and other Canadians, who, in print or on the platform, had criticized the faults of a specially secured issue and given their criticism point by describing conditions at home. The Baltimore scheme of note issue, or the principle on which it was based, was advocated in the United States by Horace White, Cornwell, Conant, J. F. Johnson, Dunbar and

others. The weight of opinion in the academic symposium on the currency question, published by the *Review of Reviews* in the summer of 1896, was likewise in favor of some such plan. So, too, the proposals with respect to legislation on the bank note issue advanced by Eckels during his term of office as comptroller of currency, and the recent suggestions of the secretary of the treasury, contemplate the issue of a part, at least, of the total bank note circulation without special security.

But the most promising of all, in many ways, whether we consider efforts to improve parts only, or the whole system of legislation on banking and currency, is the organized and energetic movement of which one of the latest results is the report of the Monetary Commission to the Executive Committee of the Indianapolis Monetary Convention.

The movement began in a meeting of the Governors of the Indianapolis Board of Trade on the 18th November, 1896, at which H. H. Hanna suggested that the governing boards of the more important boards of trade in the States of the Central West should be invited to send delegates to a meeting proposed to be held in Indianapolis on the 1st December, 1896. The suggestion being adopted, invitations were sent out and on the date named, representatives of commercial organizations of St. Louis, Chicago, Cincinnati, Milwaukee, Minneapolis, St. Paul, Louisville, Columbus, Cleveland, Toledo, Grand Rapids and Indianapolis appeared at a preliminary conference. Here it was decided to invite the boards of trade, chambers of commerce and commercial clubs in all cities of the United States, having 8,000 or more inhabitants in 1890, to send delegates to a convention to meet in Indianapolis in January, 1897, for the purpose of discussing the currency question from a non-partisan standpoint.

Some three hundred delegates, from one hundred and eight cities in twenty-seven states, came together at Indianapolis in response to this call on the 12th January, 1897. In the afternoon of the second day they adopted resolutions declaring "that it has become absolutely necessary that a consistent, straightforward and deliberately-planned monetary system shall be inaugurated, the fundamental basis of which should be :—first, that the present gold standard should be maintained ; second,

that steps should be taken to insure the ultimate retirement of all classes of United States notes by a gradual and steady process, and so as to avoid injurious contraction of the currency or disturbance of the business interests of the country, and that until such retirement, provision should be made for a separation of the revenue and note-issue departments of the Treasury; third, that a banking system be provided which should furnish credit facilities to every portion of the country and a safe and elastic circulation, and especially with a view of securing such a distribution of the loanable capital of the country as will tend to equalize the rates of interest in all parts thereof."

The president of the Convention was instructed to appoint an executive committee whose duties should be to advocate the policy thus announced, to urge Congress to authorize the President of the United States to appoint an expert monetary commission who should consider the entire question and report to Congress at the earliest day possible, and, failing in this, to appoint a private commission of eleven members who should devise a plan of reform and report their work to a proposed second meeting of the Convention. The numerous resolutions and communications bearing upon currency reform which had been presented to the Convention were all to be referred to this commission.

In spite of Mr. McKinley's special message in support of their proposal, the efforts of the committee at the extra session of Congress in the spring of 1897, were unsuccessful. The bill authorizing the appointment of a commission, which passed in the House, was held up in the Senate. Accordingly, the committee chose the following private commission, the names of whose members will emphasize the character of the selection with regard as well to ability and experience, as to geographical representation and "distribution in different lines of business."

George F. Edmunds, Vermont, Ex-Senator, at large.

Charles F. Fairchild, New York, Ex-Secretary of the Treasury and Banker, Eastern States.

C. Stuart Patterson, Pennsylvania, Director Pennsylvania Railroad Co., Eastern States.

Stuyvesant Fish, New York, President Illinois Central Railroad Co., Eastern States.

T. G. Bush, Alabama Railroad President and Iron Manufacturer, Southern States.

J. W. Fries, South Carolina, Cotton Manufacturer, Southern States.

L. A. Garnett, California, Financier, Pacific Slope.

W. B. Dean, Minneapolis, Wholesale Hardware Merchant, Northwestern States.

G. E. Leighton, Missouri, retired manufacturer, Southwestern States.

J. Laurence Laughlin, Illinois, Head Professor of Political Economy, University of Chicago, Central Western States.

R. S. Taylor, Indiana, Lawyer, Central Western States.

The commission met in Washington on the 22nd September, and began the work appointed for them. Active correspondence was established between the commission and persons fitted by practical experience or scientific investigation to deal with monetary problems, and contributions solicited not only upon the general subject, but also in reply to the list of specific questions drawn up by the commission.

The preliminary results of their deliberations, based upon this correspondence and the material already at their command, or collected in the course of prolonged and diligent investigation, appear in the report already mentioned. Since its publication, the recommendations in the report have been submitted to a second meeting of the Monetary Convention, held at Indianapolis late in January of the present year. This second convention comprised four hundred and seventy-five delegates of the same commercial bodies throughout the United States from whom delegates had been asked for the first meeting. Strong resolutions endorsing the commission's plans were adopted by a unanimous rising vote, thus "demonstrating that the work of the first year had accomplished the great object of unifying the forces making for sound currency in the United States along one line of action." A bill embodying the recommendations has also been prepared and introduced into the House of Representatives, the prospect now being that the sub-committee of

the Committee on Banking and Currency to which it was referred will report upon it early in April. Meanwhile, the Executive Committee is "organizing the whole country and pursuing a propaganda of education along the lines of the plan laid down with as much effect as it knows how to command."[1]

The document whose history we have thus sketched, begins with an explicit acceptance of the principles formulated in the resolutions under which the commission was appointed. Then follows a statement of the results anticipated from the enactment of the proposals into law. Comment upon the preface, however, will be more appropriate after the body of the report has been considered. This is divided into six parts, dealing in turn with the facts as to the currency, the standard, the silver currency, the demand obligations of the Government, the banking system and the details of the plan for currency reform. The importance of the subject warrants us, perhaps, in looking first at the discussion of the standard.

I

The commission show how forced circulation of depreciated legal tenders before and after 1866 perverted popular opinion upon monetary questions and prompted, first, the successful outcry against prompt retirement of these obligations, and then, the call for greater issues of a paper currency avowedly irredeemable. They point out that the agitation for free coinage of silver arose only after that metal began to fall in value, and was then taken up by friends of cheap money as a more promising issue than unlimited greenbacks. The last presidential campaign has made the argument in favor of gold as the single standard too familiar to permit the repetition, in any detail, of the remaining discussion under this topic. It is enough to note that the familiar distinctions between the functions of money as a standard of value and as a medium of exchange, between money and money's representatives, are carefully drawn, and then used

[1] I am indebted to Mr. H. H. Hanna, Chairman of the Executive Committee of the Convention, for this information as to the progress of the movement since publication of the report.

to explain the possibility of safely using other forms of currency than gold alone, provided these are always convertible into what must have a market value independently of legal tender laws, *i.e.*, the standard. The commission insist that the poor and helpless suffer most from the degradation of the standard, while the constant convertibility of representative currency permits the use of as much thereof as the convenience of the people may require. But "if the standard of value be lowered there necessarily follows a loss of public confidence, a lessened use of credit and credit forms of currency, and a consequent diminution of the effectiveness of the currency." "The gold standard, therefore, does not mean gold monometallism, and it necessarily results, not in contraction, but in the greatest possible expansion of the currency within the bounds of safety." Proposals for international bimetallism are gently, but incisively, dismissed with the remark that an earnest effort has been made to realize the hope of solving by this device the problem of the standard, but it must now be abandoned. The commission recommend, therefore:

"1. An explicit legislative definition of the gold standard, and a pledge that it will be maintained.

"2. A requirement that all obligations, public and private, unless otherwise stipulated in the contract, shall be payable in conformity with that standard.

"3. The adoption of a plan for the gradual retirement of the outstanding note issues of the Government."

II

What these last mentioned issues are, appears under the heading "The Facts as to the Currency," where the amount, qualities, legal position and origin of the ten different kinds of currency in use in the United States are stated with great detail. The mere enumeration of varieties is something of a task, for the list includes gold coins, standard silver dollars, subsidiary silver coins, minor coins, gold certificates, silver certificates, treasury notes of 1890, United States notes or greenbacks, currency certificates and national bank notes. Upon the gold coinage, the subsidiary silver and the minor coins, little adverse criticism is offered. For the gold certificates outstanding against

equal amounts of gold coin entrusted to the treasury's care, and for the currency certificates issued to banks in denominations of $10,000 in return for equal deposits of United States notes, the commission simply propose retirement and cancellation, and this because the business of receiving and returning special deposits which would need to be continued, were reissue of the certificates permitted, is of no advantage to the treasury.[1]

That part of the currency with which most fault has been found in this as in other quarters, consists in standard silver dollars, silver certificates, treasury notes of 1890, Unites States notes and national bank notes.

In round numbers 452,000,000 legal tender silver dollars have been coined by the United States Government. More than $67,000,000 have never been in circulation at any one time, and but $60,000,000 were outstanding on the 1st November, 1897, the date to which the currency statistics presented usually refer. The bulk of this vast coinage lies in the vaults of the treasury, $384,000,000 being a special deposit, against which silver certificates, not a legal tender, have been issued in denominations of $1, $2, $5 and upwards. Of this sum the treasury holds $11,000,000, the public $373,000,000. The treasury also owns 19,000,000 silver dollars not covered by certificates.

The treasury notes are the creation of the "Sherman" Act of July 14, 1890, which provided that this legal tender paper "redeemable on demand in coin" should be issued in payment for obligatory purchases of silver bullion to the amount of 4,500,000 ounces per month. $46,000,000 of the $155,000,000 issued before the repeal of the silver purchase clause of the Act in 1893 have been redeemed in silver and cancelled. The notes for $109,000,000 still outstanding or lying in the Government's tills are practically covered by the bullion, costing $104,000,000, which the treasury holds against them.

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[1] The expediency of stopping forthwith the issue of gold certificates is possibly open to question. The Government has exceptional facilities for storing precious metals, and until the suggested reforms of the currency system are completed, might well continue to be the custodian of that part of the country's stock of gold which it is well to keep at all times easily accessible. But the point is at best a minor one.

Like the silver certificates, the United States notes have been issued in large and small denominations. But except for duties or imports and interest on the public debt, they are a legal tender in payment of all debts public and private. Since the 1st January, 1879, they have been redeemed in gold coin when presented at the sub-treasuries in New York and San Francisco. The amount technically outstanding has remained at $346,681,016 since the act of May 31st, 1878, prohibited the further retirement and cancellation of greenbacks, but $87,000,000 of this sum are in the treasury, $48,000,000 being held against currency certificates, and the balance as so much cash liable to reissue whenever appropriations cannot be supplied from other moneys. The total amount of greenbacks, treasury notes of 1890, and silver outstanding on the 1st November, 1897, was $908,708,088, of which $847,000,000 were in the hands of the public and $61,000,000 in the treasury but liable to reissue.

The item of national bank notes is not so considerable, although this paper is receivable at par in payments to and from the United States, except for duties on imports and interest on the public debt; receivable at par also in discharge of any debts to any national banking association; and redeemable at the treasury. National banks have found better uses for their capital than investment in United States bonds, costing high premiums and bearing low interest, in order that they may enjoy the privilege of issuing circulating notes up to 90 per cent. of the par value of the bonds deposited. Only $230,000,000 of these bond-secured bank notes are outstanding, and of this amount the treasury holds $5,000,000.

III

The defects of the currency system thus outlined are described as:

"1. The vast amount of Government credit currency without a certain and adequate provision for its redemption, and the consequent diminution of public confidence in the continued maintenance of the gold standard.

"2. The continuance in circulation of Government promises

to pay, which, when made a legal tender, constitute a forced loan, which are secured only by such resources as the exercise of the taxing power can render available, and which are payable only at the will of the debtor.

"3. The failure to provide the means for a gradual and sufficient increase of the volume of the currency to meet the needs of an increasing population and an enlarging commerce.

"4. The want of a natural outflow and inflow of the currency when and as, and only when and as, the agricultural, manufacturing and commercial interests of the country require, at a given time, either a greater or a less quantity of currency in circulation.

"5. The failure to secure such a distribution of the loanable capital of the country as will tend to equalize the rates of interest in all its parts.

"6. The confusion of the fiscal functions of the treasury as the receiver of the public revenue and the disburser thereof under congressional appropriations with its issue and redemption functions in exchanging and redeeming the currency.

"7. The circulation of different forms of Government currency having different qualities as to legal tender and receivability for Government dues.

"8. The circulation of silver dollars of full legal-tender quality whose nominal value as coins so largely exceeds their value as bullion, that they offer tempting inducements to successful counterfeiting.

"9. The circulation of a national bank currency based upon Government bonds, presupposing a continuing issue of those bonds, diminishing the loanable funds of the banks, and, by reason of their bond basis, incapable of increasing in volume with a temporary demand for more currency, and of decreasing with the cessation of that demand."

The first, second, seventh and eighth counts of this indictment, *i.e.*, those directed against the Government's issues, will probably be approved much as they stand by everyone who sympathizes with the general purposes of the Indianapolis movement. Neither is the criticism in the sixth count calculated to provoke objections from persons who understand the effects of the present organization of the treasury department. For the confusion of fiscal functions with those of issue and redemption has made public confidence in the convertibility of the paper currency too dependent upon the preservation of equilibrium in the budget. Through its obligation to redeem greenbacks the

treasury has become the chief source of the supply of gold coin and bullion; it has become responsible not only for the safe keeping but also the maintenance of the country's principal reserve of gold. And yet that reserve consists merely of the treasury's balance of free gold. It may be reduced below the danger point, now commonly placed at $100,000,000, by expenditures in excess of revenue, or by withdrawals of gold for export purposes. More or less distrust of all classes of Government demand paper arises whenever such a reduction occurs; if it happens during a financial stringency, the popular apprehension, whether well founded or not, is sure to be greatly increased.

In like manner, the lack of proper elasticity urged against the currency system as a whole in the third and fourth charges, and, in connection with other recognized defects, against the national bank issue in the ninth charge, being a patent fact, will hardly afford ground for dispute. But the analysis of elasticity pursued in the third and fourth charges was hardly necessary. To be sure, there are two wave-like movements, two varieties of regular fluctuation, in the economic activity of communities largely engaged in agriculture and extractive industry. One of these, completed within the year, is due to the influence of the seasons; the other, extending over a longer period, has been variously described as the cause, concomitant and effect of "good times" and "hard times." In progressive communities, without doubt, the crest of each longer wave rises higher than the one just before it, just as the waters of a swelling stream come further up the banks each day the flow increases. Without doubt also, these movements ought to be reflected in the amount of currency in circulation. But if the volume of a currency varies in accordance with the annual fluctuations in the demand of commerce, agriculture and manufacture, for media of exchange, it will also expand to supply the needs of an "increasing population and enlarging trade," and contract as the demand for circulation is lessened by depression. Automatic increase or diminution of its volume in adjustment to the activity of business is the very essence of elasticity in a currency. It matters not whether the ups and downs of trade are rapid and frequent or gradual and prolonged. Susceptibility to slowly working influen-

ces is merely a consequence, or rather an incident, of adjustability to quicker fluctuations. One may not presume ignorance of this fact on the part of the commission, so the dubious distinction in the third and fourth counts should be regarded merely as a device of exposition. It must be remembered that the report is intended for a wide circle of readers, with many of whom popular statement, pleasantly flavored to suit long-cherished prejudices, is sometimes more effective than precise and logical argument.

IV

The second group of recommendations brought forward by the commission relates to the silver currency and the demand obligations of the Government.

Realizing that the people of the United States, by reason of the enormous amount of silver coined into dollars between 1879 and 1893, the subsidiary coinage and the treasury's holdings of silver bullion, have invested heavily in that metal, they propose to keep the present stock of silver in active circulation. Realizing, further, that this can be effected only by promoting, in every possible way, the use of silver certificates in place of the clumsy dollars, they propose that the currency of all denominations below $10 shall be silver coin or silver certificates for equal amounts of silver dollars held in the treasury, supplemented by gold coins of the denominations of $2.50 and $5. Such an arrangement could easily be perfected within the term of five to ten years, which the commission propose for the completion of their reforms. The present circulation of notes for $5, or less, is about $354,000,000. $199,000,000 of these, being treasury notes or greenbacks, would be changed into higher denominations and eventually retired to make way for the like quantity of silver certificates for $1, $2 and $5, into which it is intended to convert paper of this sort now outstanding in higher denominations. The commission believe that the trade of the country will easily absorb these four hundred and odd millions of silver and its representatives, and prevent any considerable quantity of such "large change" from coming in for redemption. The Government, nevertheless, has received face value for every coin or certificate issued, and in spite of their market value as bullion, the

silver coins ought to be exchangeable for gold at their nominal value. The nature of the reserve to be provided for such exchange will appear further on.

The demand obligations of the Government, properly so called, consist of United States notes and the treasury notes of 1890. The greenbacks must be redeemed in gold on demand, because the law so commands, and the treasury notes, although they are nominally redeemable in gold or silver coin at the discretion of the secretary of the treasury, because the Government has pledged itself "to maintain the two metals on a parity with each other upon the present legal ratio," and would repudiate this promise by offering silver alone when the holder of the notes asks for gold.

With respect to these issues, the commission propose immediately to reform the traditional methods of redemption, and eventually to retire both sorts of paper. Reasons for the change are adduced from the commercial, financial, monetary and political points of view. But as a summary of their argument, or arraignment, though in the most condensed form, would require much space and involve some repetition, it seems better to proceed forthwith to the particulars of their plan. Briefly stated they are:

1. The separation of the note-issuing and redeeming operations of the treasury from its ordinary fiscal operations by the creation of a division of issue and redemption, and the transfer to it of the gold reserve and other resources held against obligations; the Government notes to be paid in gold coin on demand through that division. This division, it should be noted, is also to be charged with all business relating to the exchange of coins, and that relating to the national banks. It is further to be entrusted with the gold, United States notes, and silver dollars and bullion now held against gold, currency and silver certificates and treasury notes of 1890 respectively. Its accounts are to be kept distinct from the fiscal accounts of the treasury; the accounts relating to national banks distinct from all other accounts.

2. The reserve transferred to this division shall consist of gold coin and bullion equal in value to 25 per cent. of the outstanding greenbacks and treasury notes, and of a further sum of gold equal to 5 per cent. of the total coinage of silver dollars. The secretary of the treasury shall be in duty bound to keep the gold reserve at the point necessary to secure prompt redemption

of all notes and silver dollars presented and to preserve public confidence. The funds for this purpose will be obtained by transfer of surplus revenue from the fiscal division if possible. But the secretary of the treasury will also be authorized, at his discretion, to sell silver bullion for gold, and to borrow lawful money whenever he thinks it necessary ;

(*a*) to augment the reserve in this division, on 3 per cent. gold bonds, redeemable after one year and payable in twenty years ;

(*b*) to supply temporary deficiencies in the fiscal department, on certificates of indebtedness bearing interest at not more than 3 per cent., payable to bearer in from one to five years after date, to be issued in denominations of $50 and multiples of $50 at the treasury department, the sub-treasuries, and United States depositories, and at selected post-offices ;

(*c*) or, whichever the object in view, on inscription on the books of the treasury, transferable at the will of the creditor and payable on the agreed date of maturity. But no higher rate of interest than 3 per cent. may be paid, and none whatever on inscriptions reduced by withdrawals to less than $50.

By the first of these innovations the treasury will be enabled to liquidate its silver assets at favourable turns of the bullion market ; the second will provide the possibility of keeping the gold reserve at the proper height, independently, in great measure, of budgetary vicissitudes ; the third will make it easier and cheaper to increase and to retire the Government's floating debt ; and the fourth change, including as it does provision for the acceptance of small sums at every money-order office for transmission to Washington and inscription on the books of the treasury free of cost to the person so credited, ought to attract would-be investors in the public debt who lack facilities for keeping bonds, and will doubtless "make it possible to place Government loans by a real popular subscription." Indeed, all these methods of borrowing are in the direction of what the French have called the "democratization of the national debt."

3. Notes to the amount of $50,000,000 to be cancelled as paid, cancellation thereafter not to exceed the increase of bank notes. After five years the notes paid to be retired at a rate not exceeding twenty per cent. per annum of the amount then outstanding ; at the end of ten years the legal-tender quality of the notes then outstanding to cease.

4. No note, once paid, to be reissued otherwise than in exchange for gold, except that, in case of an excessive accumulation of redeemed and uncancelled notes in the Division of Issue and Redemption, the Secretary of the Treasury may use

them in the purchase of United States bonds for the benefit of the Division of Issue and Redemption; such bonds to be held in that division and sold for the benefit of the redemption fund when directed by the Secretary of the Treasury.

The practical effect of the third provision would be the immediate cancellation of the first $50,000,000, provided the appropriations made in the intervening sessions of Congress do not greatly reduce the Treasury's present holdings of greenbacks and treasury notes. In the lack of express statement, it is difficult to suggest the reasons for restricting subsequent cancellations, unless we suppose that to the desire of preventing extraordinary pressure upon the reserve within any particular term, there was joined a fear lest undue contraction might otherwise occur from time to time during the period of transition. The greater weight probably attached to the latter consideration. At any rate, the possibility of contraction is unmistakably suggested in the fourth provision, and in the commission's explanation of that paragraph it is mentioned in as many words.

V

The American banking system, it is hardly necessary to say, is made up of numerous and comparatively small local banks. Each is confined, by law in most cases, by preference in a few, to a single locality and a single office as the scene of its operations. Each bank, furthermore, is dependent upon the neighborhood in which it works for all save an inconsiderable fraction not only of its loan and discount business, but also of the capital, deposits and other funds from which it meets the local demand for credit. And finally, the privileges of issue accorded State banks are rendered nugatory by the federal tax of 10 per cent. upon their notes, while no national bank is permitted to issue notes otherwise than against the special security of United States bonds, and then only to 90 per cent. of the par value of the bonds deposited with the Government.

So far as the safety of the circulation thus permitted is concerned, the results have been satisfactory. No holder of a national bank note has ever lost a cent by it. Whatever the losses suffered by shareholders and depositors in the past, their

interests are at present carefully guarded in most respects by the punitive legislation against malfeasance by bank officials and employees, and by explicit definition of the business in which the banks may engage. But the circulation of national bank notes has decreased, while the banks themselves have increased both in numbers and capital. The growth of the system moreover has not been so general and systematic as to bring the American organization of credit to the highest standard of efficiency. The different loan markets of the country show vast differences with respect to the relative abundance of loanable capital at their disposal, and as a consequence, wide inequalities in their usual rates of discount. But the criticism offered by the commission in this part of the report applies particularly to the note circulation. That is open to grave objections:

"1. It presupposes a continuing issue of government bonds, when it ought to be the national policy to steadily reduce and ultimately extinguish the debt of the United States.

"2. The investment in bonds diminishes the funds of the bank available for loans to its customers.

"3. Such a currency does not increase in volume with a temporary demand for more currency, nor decrease with the cessation of the demand."

In seeking to do away with these objectionable features, it is proposed, in the first place, to retain the general principle of a uniform national system. But the supervision and inspection of banks working under federal statutes are to be improved by providing for more frequent and thorough examinations, the payment of fixed salaries to bank examiners instead of fees, the rotation of examiners in the inspection of individual banks, for public reports, regular or special, at the call of the comptroller of the currency, and for making it penal for any bank to lend money or grant a gratuity to an examiner of banks, and penal for the examiner to receive it.

The second suggestion is that the note issues be based upon "those readily convertible assets which represent the exchangeable wealth of the country in its natural products and manufactured goods." This means, of course, that circulation is to be secured by the general credit of the issuing banks instead of by special deposits of bonds, and constitutes, perhaps, the most important feature of the entire scheme.

Following are the regulations under which the new right of issue is to be exercised :

(*a*) A bank's circulation shall not exceed the amount of its paid-up and unimpaired capital, exclusive of the portion thereof invested in real estate; notes shall be of a uniform design and quality and shall be made a prior lien as well upon all the assets of the issuing bank, as upon the personal liability of shareholders; no notes for less than $10 shall be issued.

(*b*) Up to an amount equal to 25 per cent. of its capital a bank may not issue notes in excess of the bonds it has on deposit with the treasurer of the United States, the value of these securities to be determined annually on a three per cent. basis by the secretary of the treasury; circulation in excess of 25 per cent. of a bank's capital may be issued without further deposit of bonds; beginning five years after the measure becomes law, the deposit of bonds required is each year to be reduced by one-fifth of the 25 per cent. of a bank's capital.

(*c*) Upon notes outstanding in excess of 60 per cent. and not over 80 per cent. of its capital, a tax of 2 per cent. per annum, upon circulation in excess of 80 per cent. of its capital, one of 6 per cent. per annum, shall be payable by the issuing bank. (From the draft of bill which accompanied the reviewer's copy of the report, it appears that notes of a national bank shall be deemed and held to be outstanding whenever the comptroller of the currency shall have supplied them to the issuing bank in blank, and shall not have been returned to the comptroller for cancellation or covered by an equal amount of money deposited with the treasurer of the United States). In order to meet the expenses of the treasury in connection with the national banking system, a tax of $\frac{1}{8}$ per cent. per annum upon its franchises, as measured by the amount of its capital stock, surplus, and undivided profits, shall be imposed upon each bank, in place of the present tax of 1 per cent. per annum upon circulation.

(*d*) A common guaranty fund, equal to five per cent. of the total circulation of bank notes, shall be formed and held in the division of issue and redemption in order to insure prompt payment of the notes of any defaulting bank. Towards this purpose, national banks shall be required to pay to the treasurer a sum of gold equal to five per cent. of the notes called for, before any of the notes contemplated in the plan will be issued to them by the comptroller of the currency. On the failure of any bank to redeem its notes, they shall be paid from the guaranty fund and proceedings taken to collect from the assets of the bank, or from the stockholders if necessary, the amount already expended in behalf of that bank, and a further sum to cover its notes still outstanding. In case the guaranty fund is reduced by

any operation to an amount less than 5 per cent. of the total circulation, solvent banks shall be assessed for contributions in proportion to their notes outstanding, sufficient to make the impairment good. Upon depositing lawful money with the treasurer of the United States, or returning its notes for cancellation, a bank shall be entitled to the return of a corresponding portion of its unimpaired contribution to the guaranty fund. Proceeds of the circulation tax and interest accruing from investment of any part of the guaranty fund are to be held in the division of issue and redemption as a supplementary fund, to be used only when the guaranty fund becomes inadequate to bank note redemption, and not to be taken into account in calculating assessments for the replenishment of the fund or in repayment of contributions thereto.

(*e*) The shareholders shall be jointly and severally liable for the debts of a failed bank, each to an amount equal to the par value of his shares, and not ratably one with another, in case the assets of the bank are insufficient to discharge its obligations.

(*f*) The present system of national bank note redemption shall be continued, with a constantly maintained redemption fund of 5 per cent. in gold coin, and with power conferred on the comptroller of the currency, with the approval of the secretary of the treasury, to establish additional redemption agencies at any or all of the sub-treasuries of the United States, as he may determine. The new notes shall also be receivable at par in payment of debts to the national banks and of dues to the United States, except duties on imports.

(*g*) Reserves of lawful money equal to 25 per cent. and 15 per cent. respectively of their deposits shall be kept by the two classes of banks now authorized by law. Neither its own notes nor its contributions to the bank note guaranty and redemption funds shall be counted by any bank as a part of its reserve or cash assets.

As the third group in the series of bank reforms it is proposed that the organization of national banks with a minimum capital stock of $25,000 be permitted in places of four thousand population or less, and that provision be made whereby branch banks may be established with the consent of the comptroller of the currency and approval of the secretary of the treasury.

And, finally, the commission have provided that, two-thirds of their stockholders consenting in writing, national banks may accept the new legislation within one year from the date of its enactment into law, while national banks which do not, within the year, accept the privileges and undertake the liabilities thus

conceded and created, shall be dissolved, saving the remedy for liabilities and penalties previously incurred. State banks fulfilling the conditions of the Act, may become national banks under the same name and with the same officials they formerly had.

The suggestions with respect to an improved supervision are probably due as much to the lessons of experience as to the purpose of meeting the altered conditions which adoption of the plan may be expected to bring about. So too, the change with respect to the additional liability of shareholders can be explained by difficulties which have arisen under existing laws.[1] The proposed amendment will make it possible to collect the full amount of his "double" liability from every solvent shareholder, regardless of what may be obtained from others. Concerning the new franchise tax, the commission remark that "the issue of circulating notes is only one form in which a bank expresses its demand liability." In October, 1897, the country banks were responsible for more than 72 per cent. of all notes issued, while the banks in the reserve cities had issued less than 19 per cent., and those in the central reserve cities, New York, Chicago and St. Louis, about 9½ per cent. "Surplus and undivided profits and capital show the profits and property of banks, and these are certainly more legitimate objects of taxation than the mere instruments which banks may be called upon by their customers to issue to serve chiefly the convenience of those customers. This tax makes as equitable an apportionment of the expenses of the system as can be devised."

VI

In the main, however, the argument by which the commission support their banking scheme may be more fitly termed brief and scanty than full and exhaustive. Possibly the usefulness of these reforms seemed so obvious that justification was

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[1] According to the courts:

"The amount contributed by each shareholder should bear the same proportion to the whole amount of the deficit as his own stock bears to the whole amount of the capital stock at its par value. And the solvent shareholders can not be made to contribute more than their proportion to make good the deficiency caused by the insolvency of other shareholders." *United States* v. *Knox*, 102 U.S., 422.

thought superfluous. Or it may be that an examination of the probable effect of the proposed legislation was postponed to the final report appearing in April. Here, at any rate, there is no endeavour to answer the question: How will they work? suggested by the measures we have last described. This reserve, moreover, is maintained in apparent indifference to the probability that the results expected from the other features of their currency system will not be obtained unless the effects of the proposed reforms of banking are exactly those intended. What the commission hope their plan will accomplish, so far as possible, if enacted into law, is summed up at the beginning of the report. The eight items in their list will be indicated with detail sufficient for our purpose by the following four:

1. To remove, at once and forever, all doubt as to what the standard of value in the United States is, and is to be.

2. To establish the credit of the United States at the highest point among the nations of the world.

3. To relieve the treasury from its present burden of keeping good the country's gold reserve.

4. To provide an elastic currency.

The first of these will probably be enjoyed for so long a time as the President of the United States and a majority of Congress are unwilling to adopt another standard. With regard to the second, however, one may well believe that the hope of raising the credit of the country to this pinnacle, simply by the adoption of an improved currency system, if not coloured by politics, is at least a trifle too sanguine. Factors, whose unfavorable influence upon the credit of the United States is probably greater than that of the faulty monetary legislation, are the divided management of the budget and the instability of the tariff policy. Until these have been eliminated from the situation, it seems rather unlikely that the American Government will be able to borrow at lower rates than other leading states.

With respect to the third end in view it must be remembered that the commission intend that ten years will pass after the enactment of the plan, before the reforms are complete. During this period the Government will be charged with the redemption and retirement of the $409,381,953 of greenbacks,

treasury notes of 1890, and currency certificates outstanding on the 1st of November, 1897. Whether these charges will be met out of surplus revenue or by floating new loans, the reviewer ventures no opinion, for speculation upon the product of the Dingley or other tariffs is as unprofitable in these pages as would be an attempt to forecast congressional appropriations during the next five sessions. But inasmuch as the treasury has redeemed only $507,000,000 of United States notes in the last nineteen years, and only $46,000,000 treasury notes in the last seven years, the commission's project seems unlikely much to lighten the treasury's task of redemption during the first decade of its operation.

The prospect of subsequently reaching this end may be considered good or bad according to the great or slight probability that the proposed bank note currency will be really elastic. Now elasticity is a quality which may easily be defined so as to imply all the other desiderata in a circulating medium. A currency is elastic when the adjustment of its volume to the varying demands of trade for instruments of exchange is automatic, immediate and unfailing, whether we consider these variations from the standpoint of time or of place. The elastic currency must therefore be ultimately secure, and the source of issue easily accessible, otherwise doubts as to its value, or the inconvenience of procuring it, might hinder its expansion when trade becomes brisk; it must also be convertible without trouble and without cost, else the corresponding contraction when trade grows dull might be delayed.

If the new circulation is not elastic in this sense of the word, there is slight probability that the Treasury will be afforded the needed relief. After the retirement of greenbacks and treasury notes, the Government will still be exposed to calls for gold in exchange for silver dollars. That the demand paper of the United States in circulation will consist exclusively of silver certificates, exchangeable only for silver coin, is a point of minor importance. At most, it would necessitate but a single step more in the process of redemption. To change certificates for dollars, and dollars for gold, is almost as simple as changing certificates forthwith for gold. Should it be cheaper, easier and more expeditious to obtain gold in this way than to procure redemption

of bank notes, the duty of supplying gold for export will still rest upon the treasury, and not where it ought to lie, upon the banks.

Is it true, then, that the commission have devised an elastic currency? Whatever the security of the circulation, and there seems to be little reason for doubting it, whatever the ingenuity and excellence of the other features of their system, the theoretical approval or rejection of their Indianapolis project must be decided, in the last instance, by the probabilities in this single regard. But the prospect of prompt legislative action upon this or other currency plans is so slight as to make the venture of a positive answer to the question unnecessary at this juncture, if not ill advised. It will suffice to examine the forces working for expansion and contraction, and the facilities provided for redemption.

Persons inclined to doubt, in general, the capacity of the new currency for expansion adequate to the country's business needs, could justify their misgivings by no less an authority than ten out of the eleven members of the commission itself. To be sure, two of their references to the possibility of undue contraction will scarcely challenge criticism except from those who insist upon rather a formal logic or oppose efforts whatsoever to placate the friends of cheap money. In the third passage, however, the commission have deliberately proposed a *deus ex machinâ*, in the person of the secretary of the treasury, endowed with discretionary powers "to prevent any injurious contraction." They intend, in fact, that this minister shall be authorized to reissue accumulations of redeemed greenbacks and treasury notes in excess of what may be lawfully cancelled, by using them in the purchase of United States bonds, to be held in the division of issue and redemption, and sold again at the secretary's discretion, for the benefit of the Government's redemption fund. The commission are at no pains to reconcile the manifest inconsistency of this safeguard for the transition period with their claim of elasticity for the proposed bank issues, in spite of the likelihood that such a circulation will never be elastic if it is not so during the first ten years of its emission. Nor do they attempt otherwise to justify the somewhat questionable policy of investing a single official

with the power arbitrarily to expand or contract the country's circulating medium. The commission seem to have been quite indifferent to these consequences of the provision. At any rate, Professor Laughlin, whose admirable criticism appears below,[1] was the only member to point them out.

Viewed as a question of detail, on the other hand, the probability that the bank note currency will expand *when* expansion is needed, depends in part upon the willingness of banks now in the national system, or intending to enter it, to accept the new rights and incur the new liabilities for which the plan provides. Assuming that the volume of credit currency now outstanding is thought not excessive, and assuming further, in the absence of a contrary statement, that the commission do not contemplate a considerable increase of the gold circulation, the banks will be expected to have issued at least $409,000,000 notes by the end of the first ten years in order to replace the Government paper retired and cancelled. If the plan be put in force at once, if the banks during the next decade increase in numbers and capital as they have increased since 1888, and if they all remain in the reformed system, they could provide enough substitutes for greenbacks and treasury notes, without incurring the tax on circulation, though the total issues would be within a few millions of the 60 per cent. limit.

It must be remembered, however, that solvent banks will be liable for contributions to the Bank Note Guaranty Fund, if necessary, up to the amount of their outstanding circulation, as often and as soon as that fund becomes impaired. The commission argue, indeed, that the assessment necessary to make up the ascertained deficiencies of the year 1893, the most disastrous one

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[1] The undersigned, while heartily agreeing in general to the above plan, dissents from the principle involved in Section 14, by which the secretary of the treasury is empowered to reissue United States notes in purchase of bonds. Believing that the increase of the circulation should not be left to the decision of Government officials; that no official should be exposed to the pressure which would thereby be created; that the issue of gold in redemption of the notes would prevent contraction; and that it is inconsistent with the principles on which an elastic bank currency has been recommended, because notes should not be issued by the Government in an emergency when bank issues have been above provided for exactly such an occasion.

J. Laurence Laughlin

since the establishment of the national system, had all the banks of the country then been circulating notes up to 80 per cent. of their capital stock, would have been only a fraction of one per cent. But the analogy is drawn from experience under regulations different from those here in question, and on the whole, more difficult of evasion. That all banks now in the national system will think it wise to incur an indefinite and possibly great contingent liability of this character, is by no means certain. In the absence of any limit upon the amount for which they may be assessed within the year, some banks, and among them, perhaps, many of the largest and strongest, may flatly refuse the tempting but equivocal lure of valuable circulating privileges, and, in renouncing altogether the powers granted by Congress, arrange to continue their corporate existence under the legislation of the States.

Banks remaining under federal control would then be obliged, in many cases, to increase their share capital, either by converting their rests into stock or by opening subscriptions to new shares, before they could utilize the larger opportunity to issue notes and help in providing adequate expansion. Unless the right of issue should prove very valuable, there would be some States in which even resort to this expedient would be restricted because of the manner in which national bank shares are assessed for taxation. Where par value is taken as the basis, regardless of what the market value may be, banks must aim to keep nominal capital as low as possible and broaden the basis of their business when they need to, by increasing the items of surplus and undivided profits.

Whether expansion will occur *where* it is needed, is another question, involving other considerations. Fulfilment of the commission's hopes in this regard appears to be doubly conditioned. There will needs be an improvement in the present distribution of banking facilities in the United States, in point both of the number of banking offices and the lending power available in certain sections. The change can be accomplished, in part, by the opening of new offices in neighborhoods now provided with insufficient facilities or none whatever. But it also involves such a readjustment of the present machinery of credit that the existing inequalities in the relative abundance of

loanable capital as between different sections may be reduced, and the extraordinary differences in local discount rates, consequent upon these inequalities, may disappear. This second phase of the improvement is essential because people of many communities, particularly of those in recently settled or rapidly developing districts, have practically no means of obtaining a needed increase in their circulating media except by anticipating returns from goods in process of production, on the way to market or awaiting sale. An expansion of credit must therefore precede an expansion of the currency. Unless the lending power capable of effecting the one expansion is available, the other cannot be enjoyed.

The commission have nowhere explained exactly what methods they propose for securing "such a distribution of the loanable capital of the country as will tend to equalize the rates of interests in all parts thereof" mentioned in their instructions, although the relaxation of the capital requirements for banks in small towns and the authorization of branch banking, are obviously intended for this purpose. Their document would have been stronger had the latter change been accorded attention commensurate with its importance, for there is no more grievous reproach against the existing system than the defective distribution of the funds available for short-term loans. The other proposal, on the contrary, appears to the reviewer to be ill-advised. Aside from the doubtful expediency of permitting banks with only $25,000 capital to issue notes against their general assets and to open branches, it is not shown that such banks will be able to relieve the dearth of capital in communities of less than 4,000 inhabitants. What persons in such neighborhoods need is not authority to lend themselves their own savings, but the chance to borrow from other districts better off in point of worldly goods.

The proposal to permit the establishment of branch banks is much the more pertinent suggestion. Through these agencies, communication, better than any previously existing, can be established between business communities where the supply of capital is abundant and the rate of interest low and those where the converse of these conditions is the rule. A progressive equalization of discount rates, due to new competition in locali-

ties where credit is now expensive, may be expected if banks make use of the right to open branches, and any necessary expansion of the currency will probably occur more closely to the point at which the need arises than would be possible without branch banking. For a branch, particularly of a bank with offices in one or more of the leading money markets, can be conducted with profit where an independent local bank, with its more elaborate organization and its inability to command cheap capital, might easily starve to death. It is almost a cause for criticism, then, that the commission have made the increase of branches conditional upon the consent of Government officials. But if the power is to be so exercised as merely to restrain excessive spreading out, especially by small and weak banks, the friends of sound practice will have no reason to complain. A regulation which is perhaps more likely to hamper the proper increase of branches, is the provision that notes shall be deemed outstanding as soon as the comptroller of the currency has despatched them to the issuing banks. Directly its circulation approaches 60 per cent. of its capital, a bank will lose the advantage of using unissued notes as a costless form of till-money, especially at branches. Notes in excess of 60 per cent. of its capital will cost a tax of 2 per cent., in excess of 80 per cent. one of 6 per cent. per annum, though they lie in the bank's own vault. It is conceivable that this provision may not only retard the growth of branch banking, but also cause the discount rate in certain communities to remain on a higher level than it otherwise would.

And yet the privileges of circulation and of conducting branches, even as thus restricted, are so valuable, that the proposed currency will probably be given every expansion which the commerce of the country may require.

But will the contraction, when necessity for contraction arises, be equally certain and sufficient? Provision for this assurance is usually the most difficult problem confronting the framers of bank note legislation, and the one whose solution is most urgent. As a force working for expansion, the self-interest of the banks may be relied upon as unremitting and strong, stronger possibly than even the desire of the public to obtain negotiable credit. But have the commission succeeded in so

harnessing self-interest to their system that it will also pull the other way? Other things being equal, a bank will prefer to pay out notes of its own, when they may be issued against its general credit, and demand redemption upon the notes of other banks which may come into its possession. Will other things be equal under the proposed system? Assuredly not, unless, according to the ruling rate of interest where it works, the bank can avoid incurring the taxes of 6 or 2 per cent. imposed on issues in excess of 80 or 60 per cent. of its capital stock. Assuredly not also, if redemption is a process so tedious or expensive that the gain of interest on circulation of its own notes is eaten up before the money on notes of other banks comes in. The one contingency can be postponed, to be sure, if banks using large amounts of currency increase their capital stocks, but the other can be avoided only when adequate facilities for redemption are at hand.

In neighborhoods where banks are commonly used, a well ordered process of redemption falls naturally into two chief stages, the one movement being that of the notes to the tills of the nearest banks, and the other, that of the notes from these tills back to the bank whence they were issued. Elaborate legal machinery is not needed to insure the occurrence of the first movement, for it is practically complete when the banking members of the community pay the greater part of their spare currency into the local banks, for the purpose either of making deposits or of paying their debts. In aid of this movement, therefore, it was quite enough to require, in retaining the provision of the statute now in force, that every national bank shall receive at par, in the payment of debts to it, the notes of any other national bank. Receivability at par in payment of dues to the United States is hardly essential, though calculated to conciliate popular opinion of the currency, and facilitate, in some cases, its circulation without discount or question. Like those touching the first, the provisions bearing upon the second movement have been borrowed from the existing legislation. In addition to the redemption obligatory upon them at their own offices, it is proposed that national banks shall maintain with the Government a gold redemption fund constantly equal to five per cent. of their circulation, and that notes

of national banks, whether assorted or not, shall be redeemed in lawful money at the treasury or at any sub-treasuries designated by the comptroller of the currency when presented in sums of $1,000 or multiples of $1,000. But no liability for such redemption shall rest upon the United States beyond a proper application of the Bank Note Guaranty and Redemption Funds.

The point whether banks will be able to pay out none but their own notes, if it is to their advantage so to do, now lapses into minor importance. In the main, it is a question of their qualifying for sufficient circulating powers. But that banks will find it worth their while to pay out only their own paper in business with the public, is by no means satisfactorily proved. And yet, if our analysis is correct, the demonstration of this probability ought to have been made the fundamental proposition of the commission's whole argument. It is too much to expect the public to complete both stages; unless the banks send the notes back to their source, the forces working for redemption cannot well be general, constant and competitive; without insistent redemption of currency, there can be no proper contraction; without contraction, no elasticity; and without elasticity in their currency system, the commission's hopes in regard to other features of their scheme are most unlikely of fulfilment.

Aside, however, from a general assurance that the provision for contraction will be ample, the commission vouchsafe no forecast of what may be the practical workings of the mechanism for redemption. Nor have they even sought to force a redemption by the simple expedient of forbidding every national bank to pay out the notes of other banks. Under such a regulation, or any other likely to have the same effect, we might look forward to a situation in which each section or district would be using an elastic circulation composed, for the most part, of the issues of banks doing business in that neighbourhood. Judging from the experience of Canada, with existing arrangements, the reviewer is inclined to think that the bulk of the notes issued in any section under such conditions, would be redeemed by way of offset against each other in the daily or weekly exchanges of the local banks. Notes of remote banks would be withdrawn from the local circulation and forwarded to the

nearest place of redemption. Paper escaping the competitive action of the local banks would drift steadily and rapidly toward the commercial centre of the section, and thence, if none were on the spot, to the nearest redemption agency. The constant vigilance and continued preparation necessitated by the unremitting redemption to which banks are exposed under such circumstances, would be of priceless service in impelling them to keep their assets liquid, their practice sound, and their liabilities within the lines of safety. Whenever the call for currency under such circumstances falls off, contraction of the circulation is automatic and immediate, because the demand for redemption is prompt and persistent. If the option of circulating competitor's notes or claiming their payment is to lie with the banks, the methods of redemption must also be cheap for those who ask it.

Systematic redemption necessitates, in its practical aspects, the outlay of much time and care in forwarding, receiving, assorting and presenting notes. How great might be the volume of such transactions in the United States is suggested by the experience of Canadian banks. Information obtained through the courtesy of gentlemen at the head of some six typical institutions, indicate that the average life of a bank note ranges between twelve and thirty-six days, according to the nature of the issuing bank's circulating business, the mean interval between the issue and payment of a note being a little less than four weeks. In other words, the Canadian bank pays out within the year, and therefore must redeem, from ten to thirty times $100 for every $100 of its average circulation. Though the contrasts between the Canadian and American banks, particularly in point of average capital, numbers and the development of branch banking, are more striking than the similarities, the issue of notes upon general credit and mutual guarantee of ultimate redemption are peculiar both to the Canadian system and the one proposed for the United States. In case, then, the immediate convertibility of notes is tested with equal frequency, a supposition possible only if we assume that the facilities therefor will be equally good, and the competition of American banks equally keen, some agency or other will necessarily be charged with

handling masses of notes amounting each year to sums from ten to thirty times as great as the average circulation of the national banks. Supposing that the banks issue only enough to fill the space left by the retirement of Government paper, and that the life of the note is four weeks instead of twelve days, the volume of redemption operations, counting any note but once, would rise to nearly $5,000,000,000, a sum equal in mere dollars to more than one-fourth of the total clearings in the United States, outside of New York, during the year 1897.

Is the task of conducting this enormous business, vastly more onerous, difficult and risky in many details than the clearing of checks, to be shifted to the various clearing houses, and are balances only to be settled at the treasury? Or is it to be turned over to the banks of redemption in various centres which may be established with a view to profits from the non-interest bearing deposits that country banks might be willing to maintain in order to forestall calls for gold redemption at their own offices? Or again, is the burden of mediating the redemption of notes not set off against each other by local banks to rest altogether on the treasury? If that is the intention, what may be the justice of abolishing the tax on circulation, through which the expenses incurred in business with the national banks have been covered, and substituting for it a single franchise tax, when a considerable, perhaps the larger, proportion of the treasury's outlay in this business will be the direct result of its redemption operations? If the treasury alone is to prosecute the business of redemption, what is the prospect that redemption will be speedy and otherwise so inexpensive as to induce banks unfailingly to seek it? What are, after all, the reasons for supposing that the demand for redemption will be prompt and persistent, and that the methods will be cheap? For positive answer or convincing argument in reply to these queries, one may search the report in vain.

R. M. Breckenridge

COLONIAL PREFERENTIAL TRADE IN ENGLAND AND CANADIAN CAPITAL

IN Canada agricultural and allied interests vastly preponderate over any other. It is estimated that in Ontario alone, which farms about half the cultivated acreage of the Dominion, there are nearly a thousand million dollars invested in agriculture. The vessels annually leaving the shores of Canada are freighted with products of the farm and forest of the value of fifteen dollars to every dollar's worth of other manufactures.

England is the great market open to such wares as are offered for sale by Canada. But what England buys from Canada is but a fraction of the food and other raw products purchased of other great national shop-keepers. The prospects in this field for future Canadian enterprise are almost boundless.

As a nation we are justified, no less than an individual would be, in securing the sale in that market of our own particular commodities, by all honorable means. In more than one department we have already obtained the precedence through the intrinsic merit alone of our goods, but that England should give us, together with other dependencies of the Empire, a preference over the foreigner, in making her purchases, is a suggestion which appeals powerfully to colonial purse and national sentiment. England, however, is herself a trader, and looks for success only as she carries on national business, on the same principles of thrift and homely common sense with which the successful individual conducts his affairs. She must consult first of all her own interests; therefore she buys in the cheapest to sell in the dearest market. To support her large manufacturing population she imports the food which she exchanges for her manufactures, and fifty years in the enjoyment of free imports have placed her in the front rank of commerce. She is hardly likely to again tax the food of her people.

Three-fourths of her trade is outside the colonies, but supposing for the sake of argument, she were induced to hamper this by customs duties for the sake of preferential trade with the colonies. Our position doubtless would then be very much improved, but we should still find *within* the "*ring fence*," formidable rivals. Under existing conditions India and Australia each supply the mother country with twice the value of the latter's imports from Canada.

But more powerful than sentimental arguments must be brought forward to reconcile the British taxpayer to such a fiscal change, and Canadians may once for all make up their minds that they find a fair field but no favors in that market. Merit and relative cheapness alone appeal to British purse-strings. Canadian cheese and Danish butter are alike recommended by their quality; neither is debarred by nationality. The success we have met with in the production of the former article, is shown by the fact that we now annually export over 160,000,000 pounds, as compared with 60,000,000 pounds exported by the United States. These figures are the more striking when we compare them with those of thirty years ago, when we only had 5,000,000 pounds to our credit, as compared with 60,000,000 pounds marketed by the Americans.

Energy and enterprise scientifically applied will go far toward maintaining the satisfactory position certain of our products have won, but with these essentials to success it is as important to secure *cheapness in production*, if we are to overcome the geographical advantages of European rivals.

It is here that a tangible preferential trade may, if we will it, be ours. For cheapness in production depends on cost of living, and Canada may be made the cheapest country in the world to produce in. Cheap in an economic, not a bad, sense. She can only become so by an appreciation of the true and invariable laws which affect the growth of her capital. The capital at any given time in operation may be divided into three classes. First—that fund representing the accumulations of profits of past years of successful industry, owned by the people themselves, and which may be called "*native capital*." Secondly—a fund borrowed by home industry to supplement its own accumulations. Thirdly—investments of foreign capitalists.

In each case capital is expected to reproduce itself and to earn the market rate of interest. In addition there must be a profit, for without the expectation of this the investment would not be made. It is plain therefore, as far as this country is concerned, that the first fund is the most important, for in this case the capital is reproduced and both the interest and profit earned are retained. In the second case profit only is retained, the interest being refunded to the lender. While in the third case both profit and interest are the property of the foreign capitalist and may be withdrawn.

It is to this first fund of capital that reference is made by Sir Robert Peel, speaking in 1849 of the situation in England, and his words are applicable to-day to Canadian affairs:

"The capital of the country is the fund from which alone the "industry of the country can be maintained. The industry of "the country will be promoted as the capital employed in its "maintenance shall be increased. The augmentation of capital "must depend upon the savings from annual revenue. If you "give for certain articles produced at home a greater price than "that for which you can purchase those articles from other "countries, there is a proportionate diminution of the saving "from annual revenue." We must aid in the augmentation of this first fund of capital, viz.—that which is the result of "saving," by removing all protective duties which increase the cost of living and production. The result will be increased productive powers and decreased cost of production. This will give us an immense advantage over our highly "protected" rivals in America and Europe. With an equally good if not better article than theirs, we shall undersell them and lead in the field of commercial rivalry. These first principles of political economy, simple and broad, we must adopt in our fiscal legislation of the future, if we would have true "preferential trade" in the markets of Great Britain.

H. M. LAY

London, March 5, 1898

RULES RESPECTING ENDORSEMENTS

AT the annual meeting of the Association on the 6th of October last, a committee consisting of representatives of the Bank of Montreal, Merchants Bank of Canada, Bank of British North America, Banque d'Hochelaga, Dominion Bank, Canadian Bank of Commerce and Imperial Bank of Canada, was appointed "to prepare a set of rules respecting endorsements on cheques and other items, to be adopted in respect to all exchanges between banks in Canada," and to report to the executive council, who were empowered to take measures to bring the same, if approved by them, into force throughout Canada. At the regular meeting of the Council held in Montreal on the 26th of February, the report of this committee was submitted with the draft set of rules recommended by them and approved by Mr. Lash, counsel for the Association.

The rules recommended were unanimously adopted by the executive council, and by circular of the president addressed to the various banks in Canada it has been requested that the same be brought into force on the 1st of April at all branches of the chartered banks in Canada.

The report of the committee and the rules as adopted are subjoined:

To the President and Council of the Canadian Bankers' Association, Montreal:

GENTLEMEN:—The Committee on "Rules respecting Endorsements" appointed at the last meeting of the Association have carefully considered the matter committed to them.

They have communicated with the various Clearing Houses, Bankers' Sections, and sub-branches of the Association with whom they were instructed to confer, and have given careful consideration to the recommendations received.

They have further considered the rules adopted by the Clearing Houses in Montreal and Toronto, which were originally prepared by the counsel of the Association for the Bankers' Section of the Toronto Board of Trade; and they now beg to report as follows:

They are of opinion that the rules above referred to, which are submitted herewith, are the best which can at present be devised, and they submit the following considerations bearing on the matter:—

I. The following points seem to be settled, and must be recognized in dealing with this question:

(*a*) That a wholly stamped endorsement, if authorized, is in law a valid endorsement.

(*b*) That the custom of using wholly stamped endorsements is too convenient, and has become too strongly established to leave any hope that its discontinuance is practicable.

(*c*) That the Bills of Exchange Act, with the recent amendment thereto, protects banks fully in respect to cheques, bills and promissory notes, assuming that they receive something which clearly constitutes an endorsement.

II. Your Committee are of opinion (having carefully considered the objections urged) that the endorsement of the depositing bank required by Rule 6 (which may be made without any officer's name) is sufficient, taken in connection with the fact that the rule applies only to exchanges between banks; and that it is for some reasons preferable to a fuller endorsement.

III. Your Committee are advised that on payment of a cheque bearing a restrictive endorsement, the bank paying it would not ordinarily (under the recent amendment to the Bills of Exchange Act) be in any different position towards the bank to whom it is paid, as regards its right to recover the money, than if the endorsement were not restrictive; nevertheless, to avoid disputes, a rule is recommended (No. 7) which makes it clear that these endorsements have the same effect in this respect (*i.e.*, as to the right to a return of the money) as a regular endorsement.

IV. The rights of banks receiving or paying non-negotiable instruments, such as deposit receipts and letters of credit, are not governed by the Bills of Exchange Act, and even if the endorsements thereon are genuine it does not follow that the payments are properly made. A guarantee of the endorsement is therefore insufficient, and your Committee have recommended the use of the special endorsement embodied in rule No. 9.

All of which is respectfully submitted.

J. H. PLUMMER,
Chairman

Toronto, 4th February, 1898

CONVENTIONS AND RULES RESPECTING ENDORSEMENTS

MODE OF ENDORSEMENT

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

REGULAR ENDORSEMENTS

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

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

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

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

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

IRREGULAR ENDORSEMENTS

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

RESTRICTIVE ENDORSEMENTS

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

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

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

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

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

....."

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

....."

"Credit.....bank."

FORM AND EFFECT OF GUARANTEE

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

"Prior endorsements guaranteed by.....

.....(name of bank)."

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

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

ENDORSEMENT BY DEPOSITING BANK

6. When one bank deposits with or presents for payment to another bank (whether through the Clearing House or otherwise) a bill, note or cheque, the

item so deposited or presented shall bear the stamped open endorsement of the depositing or presenting bank. Such stamp shall contain the name of the bank, its branch or agency, and the date, and shall for all purposes be the endorsement of the depositing or presenting bank, and, except as hereinafter specified, no further or other endorsement shall be required, whether the item be specially payable to the bank or otherwise, or be payable at the chief office or elsewhere.

RESTRICTIVELY ENDORSED ITEMS

7. If a bill, note or cheque bearing a restrictive endorsement be so deposited or presented, the depositing or presenting bank shall *ipso facto*, and by virtue of these Conventions and Rules, be deemed to have guaranteed such endorsement in accordance with section 5 hereof, and shall be liable to the paying bank to the same extent as if such guarantee had been actually placed upon the item, but payment may, notwithstanding, be refused until the restriction be removed.

IRREGULARLY ENDORSED ITEMS

8. If a bill, note or cheque, bearing an irregular endorsement as above defined, be so deposited or presented, the depositing or presenting bank shall endorse thereon the guarantee referred to in section 5 hereof, but payment, may, notwithstanding, be refused until the irregularity be removed.

LETTERS OF CREDIT, DEPOSIT RECEIPTS, ETC.

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

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

AGREEMENT AS TO PRACTICE

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

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

PRIZE ESSAY COMPETITION, 1898

The following subjects have been selected by the Essay Committee, for the next Prize Essay Competitions :—

SENIOR COMPETITION

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

ASSETS

Real Estate, with Factory, Plant and Machinery	72,379 82
Open Accounts	49,637 64
Bills Receivable	7,594 32
Merchandise manufactured and in process	92,633 40
Patents for making the Stern Shoe	8,000 00
Cash in Bank	1,732 02
	$231,977 20

LIABILITIES

Bills Payable	40,491 60
Due to Commercial Bank	10,000 00
Accounts Payable	42,739 12
Mortgage on Factory	35,000 00
Surplus	103,746 48
	$231,977 20

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

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

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

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

ASSETS

Merchandise			69,071 53
Fixtures			1,762 40
Accounts and Bills Receivable			19,762 68
Cash			469 13
Real Estate			14,000 00
Warehouse	$20,000 ;	Mortg'd for $9,000	
Block of Stores in Almonte,	8,500 ;	" 5,500	
	$28,500	$14,500	
			$105,065 74

LIABILITIES

Accounts Payable	21,609 52
Bills Payable	27,920 35
Surplus	55,535 87
[Customers' Paper under Discount, $42,740]	
Annual Sales stated at $150,000	$105,065 74

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

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

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

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

ASSETS

Merchandise	71,621 41
Fixtures	1,912 52
Accounts and Bills Receivable	18,489 66
Cash	714 29
Real Estate, less Mortgages	14,000 00
	$106,737 88

LIABILITIES

Bills and Accounts Payable	50,610 54
Surplus	56,127 34
[Customers' Paper under Discount, $44,940]	
	$106,737 88

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

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

A FIRST PRIZE OF - - - $100
A SECOND PRIZE OF - - - 60

—

JUNIOR COMPETITION

Does banking in Canada offer as satisfactory a career to a young man as other forms of business or professional life?

A FIRST PRIZE OF - - - $60
A SECOND PRIZE OF - - - 40

—

Competitors eligible for the Senior Competition will comprise managers and senior officers who have had a banking experience of not less than ten years.

Competitors eligible for the Junior Competition will comprise all under twenty-eight years of age, whose banking experience does not reach ten years.

The essays in either subject are not to exceed 7,500 words. *All essays must be typewritten*, having the writer's nom-de-plume or motto, also typewritten, subscribed thereto, and be mailed not later than the 30th day of June, under cover addressed to the President, Canadian Bankers' Association, Toronto.

The address on the envelope containing the essay must be typewritten, and to insure identification of the essayist a separate sealed envelope, containing the name, rank, and place of employment of the competitor, and with his nom-de-plume or motto on the outside, must accompany the essay.

A Special Committee will examine the essays and decide the prize-winners. The Prize Essays will remain the property of the Association.

The envelopes of successful competitors only will be opened except on request.

D. R. WILKIE,
President

QUESTIONS ON POINTS OF PRACTICAL INTEREST*

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

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

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

Note with Date and Place of Payment Blank

QUESTION 91.—If in a note the date and place of payment are omitted, may the holder insert them?

ANSWER.—It would be a material alteration within the terms of the Bills of Exchange Act for the holder of a note to insert the place of payment. See sub-sec. 2, sec. 63 of the Act.

As regards the insertion of a date, where the date has been omitted, the rights of the holder are governed by section 12 of the Act.

Post-dated Bills

QUESTION 92.—What risk, if any, does a bank run in discounting a note dated ahead of the day of discount?

ANSWER.—A post-dated bill is by sub-sec. 2, sec. 13 of the Bills of Exchange Act, declared to be not invalid by reason of the post dating. A bank, therefore, would run no more risk in connection with a post-dated note than with an ordinary note.

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*[NOTE BY THE EDITING COMMITTEE:

The labors of the Committee in answering questions this quarter have been much increased by reason of the response by the Associates to the request recently made of them by the Secretary-Treasurer. The Committee are, however, very glad indeed to have these columns well filled, since their value is thereby greatly enhanced.

Several questions are received too late to be dealt with in this number.]

Bills Payable in Sterling Drawn on Points in Canada

QUESTION 93.—(1) Can a bank legally pay a demand draft, payable in sterling, drawn upon it by an English bank, at a less rate than that provided in section 71 (d) of the Bills of Exchange Act?

(2) At what rate should a cheque be paid when drawn in sterling, though otherwise upon an ordinary cheque form, dated, say, Toronto, and sent for collection by an English bank?

ANSWER.—(1) The rate at which a bank should pay a sterling demand draft, drawn on it by an English correspondent, is fixed by section 71 (d) of the Bills of Exchange Act. If the bill is drawn simply for so much sterling money without any reference to a rate of exchange, it should be paid at the rate for sight drafts at the place of payment on the day the bill is payable. If, however, it is payable at "the current rate of exchange," this does not necessarily mean the demand rate. Sixty days' sight has always been the "usance" between England and this country, and we think the sixty day rate would probably be accepted by the courts as "the current rate of exchange." If there seems to be any conflict because of the bill being payable on demand, it will disappear if the bill is read in this way: "On demand pay to ..... pounds sterling, calculated at the sixty day rate of exchange."

(2) It would be unusual for a cheque to be drawn in Canada, upon a Canadian bank, payable in pounds, shillings and pence. If such a cheque were drawn we think the bank would have the right to refuse payment, but it would probably be justified in regarding it as an order to pay the currency value of a similar amount of British gold, i.e., to convert the sterling money at $\$4.86\frac{2}{3}$ In remitting to an English correspondent for such a cheque it would have to be treated as drawn for the amount in Canadian currency computed as above, and the exchange calculated accordingly.

Provincial Government Cheques

QUESTION 94.—In view of section 103 of the Bank Act, must banks collect Provincial Government cheques at par?

ANSWER.—Section 103 of the Bank Act does not apply to cheques of the Provincial Government or any of its departments.

Canadian Bank Notes

QUESTION 95.—Is the custom of agencies of Canadian banks in the United States of discounting the notes of their own banks, in contravention of section 56 of the Bank Act?

ANSWER.—We do not think that for a foreign office of a Canadian bank to redeem its own notes at a discount is a contravention of section 56. We think it improbable that the section would be held to apply outside of Canada. There are difficulties in its application there respecting questions of legal tender, exchange, etc., that would lead to this conclusion.

Redemption of Partially Destroyed Notes

QUESTION 96.—By what authority in law do some banks and the Receiver General's assistants pay torn or mutilated notes sent them for redemption, at less than the full amount?

ANSWER.—We do not know of any authority for the practice mentioned respecting the redemption of mutilated notes, but it is reasonable, and all banks which issue notes are interested in its maintenance as a matter of self-protection. The promissory note of a bank is in law very much the same as any other promissory note, and in case of its destruction, in whole or in part, the holder would theoretically have the same right to recover as if it were the promissory note of a private person. If he brought suit in such a case he would have to satisfy the court as to the facts and provide suitable indemnity. The provision of indemnity in connection with missing parts of a bank note is, however, difficult if not impossible, and because of this the practice has grown up of allowing a proportionate amount for the portion of the bill which is presented for redemption. It is reasonable, and it might be difficult to establish even at law a larger claim.

Joint Deposits

QUESTION 97.—(1) In the event of a deposit being made to the credit of two parties, father and son, payable to both or either, would the Government be entitled to succession duty on the death of the party who made the deposit?

(2) In such a case would the son be entitled to hold the money against other heirs?

(3) In the event of the death of the party who made the deposit could the bank be sued by the other heirs should it pay the amount to the survivor?

(4) If one of two parties who have a joint deposit with the bank, payable to both or either, dies, and under his will bequeaths a portion of the deposit to a third party, can the bank legally pay the survivor (a) if it has no knowledge of the will; (b) if it has knowledge of the will.

(5) It is the practice of some banks not to pay to the survivor in these cases without the production of a probate of the

will or letters of administration, and then to require the consent of the legal representatives of the deceased depositor. Is it not a pity that the practice is not uniform?

ANSWER.—(1) The right of the Government in the matter seems to be settled by the Act of 1893, chap. 5, sec. 4 (d), the substance of which is that if the deceased person had been absolutely entitled to the amount of the money so deposited, the succession duty must be paid. The sub-section quoted mentions a beneficial interest passing by survivorship, and it is clear that this legislation does not affect the relations between the bank and the survivor.

(2) We think he could, but there might be circumstances connected with the matter which would affect his title.

(3) The executor or administrator might, of course, sue, but as the survivor has a right to draw the money the bank would be technically protected in paying it to him. If a suit were brought it would be prudent for the bank to pay the money into Court.

(4) The will of the deceased joint depositor would not affect the bank's position one way or the other. The most that could be said is that the legatee might have a claim on the money in the hands of the survivor.

(5) We think that most banks recognize the right of the survivor of two joint depositors to control the deposit, which right exists whether the deposit is by its terms payable to either of them or to both, but there will no doubt always be some who will take the extra precaution which you mention, but which in the absence of anything like fraud we believe to be unnecessary.

You speak of the person "making the deposit" as if there were some distinction between the joint depositors; but we think that when money is paid in to the credit of two parties it must be regarded (so far as the bank is concerned) as deposited by and the property of both, and the person who pays in the money as the agent of both.

Past-due Note with Two Promissors held as Collateral to a Renewal Note taken from One of Them

QUESTION 98.—A note was discounted by a bank on which were two joint promissors, one of the two, to the knowledge of the bank, having added his name as a surety for the other. At maturity the bank renewed the bill for the debtor, taking a note signed by himself alone, but retaining the original note as collateral security. This was done without notice to the guarantor. Is the latter released by this extension of time?

ANSWER.—The position of the parties in a case of this kind was fully discussed in the judgment of the Supreme Court of Canada in *Gorman v. Dixon*, reported at page 418, vol. III of the JOURNAL. The whole question involved in the present case is whether there was an understanding between the bank and the debtor that, notwithstanding the time given, the bank's claim against the surety was to be retained. The fact of the retention of the joint note seems to indicate this, and if such were the understanding, Smith would, under the ruling in the case referred to, still remain liable.

Sterling Bill Payable at the Current Rate of Exchange

QUESTION 99.—*(a)* A bill of exchange is drawn by a firm in London, England, on a merchant in Canada, in sterling, at sixty days' date, to be paid at maturity at the current rate of exchange. When this bill falls due what rate of exchange should be taken in converting it into our currency?

(b) In the event of there being a difference between the sterling rates of the presenting bank and the bank at which the bill is made payable, could the latter bank tender the holder of the bill in payment a demand draft on London, England?

ANSWER.—*(a)* See answer (1) to question 93.

(b) A bill drawn on a party in Canada, payable in sterling money, can only be paid in lawful money of Canada. The holder is not bound to take a draft on London. The obligation is one which the acceptor must meet in legal tender money, which, of course, a draft on London is not. Any dispute as to the rate must be settled just as other similar disputes are settled, in the last resort in a court of law.

Cheque to Order Deposited Unendorsed

QUESTION 100.—*(a)* A. Jones deposits with his bank a cheque, which he neglects to endorse, the cheque being made payable to his order. His banker endorses on the cheque: "Deposited to the credit of A. Jones," and signs his name as manager of the bank. Would this constitute an endorsement?

(b) If the cheque was not paid when presented at the bank on which it was drawn, could the banker, who endorsed it as stated above, recover the amount of the cheque from A. Jones?

ANSWER.—*(a)* This is not an endorsement.

(b) The bank could, we think, recover the money from its customer, not because he was liable on the bill which he had neglected to endorse, but because the bank had given him value

for it on the understanding that it would be endorsed over to the bank, and that the omission of the endorsement was a mistake which he must make good or return the money. The bank has, however, a right to demand the customer's endorsement under sub-section 4 of section 31 of the Bills of Exchange Act.

Acceptances Domiciled at the Acceptor's Bankers—Rights and Duty of the Banker

QUESTION 101.—A. deposits with a bank a sum of money in open account, upon which he from time to time issues cheques. At length, however, he accepts a draft, making it payable at the bank where his funds are. When the bill falls due and is presented at the bank for payment is the bank bound to pay it, the acceptor's account being in funds but no authority having been given the bank to charge acceptances to his account?

ANSWER.—In *Bank of England v. Vagliano* the judgment of Macnaghten, L.J., contains the following statement of the law in the matter:

"The relation of banker and customer does not of itself, "and apart from other circumstances, impose upon a banker "the duty of paying his customer's acceptances.

"If authority is wanted for this proposition it will be "found in *Robarts v. Tucker*, where it was said by the Court "that 'if bankers wish to avoid the responsibility of deciding "'on the genuineness of endorsements, they may require their "'customers to domicile their bills at their own offices, and to "'honor them by giving a cheque upon the banker.' That "implies that bankers may refuse to pay their customer's "acceptances, and that such refusal is not inconsistent with the "relation of banker and customer, or a breach of the banker's "duty to his customer."

"If a banker undertakes the duty of paying his custom-"er's acceptances, the arrangement is the result of some special "agreement, expressed or implied."

The answer to the question would therefore be that in the absence of special circumstances governing the case, the bank would not be bound to pay its customer's acceptance in the case mentioned, but would be entitled, having paid it, to charge the amount to his account.

Redemption of Circulation

QUESTION 102.—A customer of a chartered bank in Coboconk has a cheque for $50,000 on another chartered bank in Lindsay. He wishes to take up a note in the Coboconk bank.

Upon tendering the cheque he is informed that there will be $50 exchange, whereupon he goes to Lindsay, draws the cash in notes of the Lindsay bank and tenders them in payment of the note. Can the Coboconk bank refuse to take them? Or can it exact a charge that would reimburse it for the express charges to the nearest point of redemption for the Lindsay bank's notes? If the Coboconk bank cannot make a charge it is bound to be at a loss. If it had cashed the cheque at par it would have been out two or three days' interest; by not cashing it at par it is out the interest and express charges.

ANSWER.—The bank is not bound to accept any money in payment of a note, except such gold coin as comes within the terms of the Currency Act, notes of the Dominion Government, commonly known as legal tenders, or its own notes. It is, therefore, as a matter of legal right, in a position to exact whatever charge it may choose to ask, as a condition of its accepting payment by cheque on another bank, or by notes of another bank.

QUESTION.—(Submitted in continuation of the subject of the above question and answer)—If bank notes are redeemable at par all over Canada, by arrangement at specific points and by courtesy or mutual agreement wherever a bank has a branch or there is a branch of a chartered bank, how could a charge be exacted or the notes be refused without breaking through this arrangement? Suppose they had been deposited instead of offered in payment of a note, I do not see what is to prevent any bank being loaded up with a lot of other bank notes on which it will have to pay express. If the rule applies to small amounts why not to large ones?

ANSWER.—In answering the previous question we had, of course, reference entirely to the legal point involved; but we would think it very much to be regretted indeed that banks should take the position of refusing the notes of other banks offered in payment of debts, when the same are presented in a reasonable way and are legitimately in the hands of the party presenting them. Probably if a case occurred where, to get rid of uncurrent notes requiring transportation to a distance, any bank should pay out such notes knowing that they were to be tendered to another bank in payment of a debt, the latter would be quite justified in refusing to take them except at a discount.

We are not aware that there is any mutual agreement between the banks that they will unconditionally redeem the notes of other banks at all points. This is undoubtedly the practice, and it would be unfortunate if anything should happen to break it; but, looking at the matter simply from the legal

standpoint, the bank need not take on deposit notes of other banks if it chooses to refuse them, and it is not bound to take any money that is not legal tender in payment of a debt. If it waives its legal rights, and accepts notes of other banks on which it has to pay express charges, this must be regarded as done because the practice fits in with the common interests of all the banks.

Appropriation of Payments

QUESTION 103.—M—— & Co. are in the habit of discounting with their bankers sight drafts against shipments of produce to the United States. One of the drafts, for $75, was returned dishonored and charged to the account of M—— & Co., increasing their overdraft to $150. Some time afterwards the firm sent the bank for discount their note for $100, endorsed by another party, and the proceeds of this note were remitted by the bank to M—— & Co. When the note fell due the firm sent the bank $100 to take it up, but the bank credited the amount instead to the overdrawn account and protested the note. Would the bank have recourse to the endorser?

ANSWER.—Upon the statement that the $100 was sent the bank to pay the note, the bank would have no right to apply it upon the other debt. The debtor has the right, when paying money, to appropriate it to any indebtedness which he may specify, and the creditor cannot change the appropriation without the debtor's consent. Therefore the note of $100 must be regarded as paid and the endorser discharged.

On the general subject of appropriation of payments the case *in re Exchange Bank; The Queen v. Ogilvy*, will be found instructive. (JOURNAL, vol. V., p. 258.)

Insanity of a Deposit Customer

QUESTION 104.—A customer of a bank, who has become insane, has a balance at his credit. Before becoming insane he accepted drafts payable at the bank. The manager of the bank knows that the customer has been placed in an asylum, but has not been notified by anyone of his insanity. Would the bank be safe, under such circumstances, in charging the acceptances to the customer's account?

ANSWER.—The insanity of the customer, to the knowledge of the bank, has the effect of revoking this authority, and the bank would not be justified in paying the acceptances. That the bank have not been officially notified of the customer's insanity does not signify; the fact that it is known to them is sufficient.

Married Woman in Province of Quebec—Right to Operate a Bank Account

QUESTION 105.—Can a married woman (in the province of Quebec) operate a bank account without the authority of her husband, even when living in community with him, provided the balance does not at any time exceed $500 (or when the aggregate does not exceed $500)?

ANSWER.—The case of such a depositor would be covered by sec. 84 of the Bank Act, and she would be free to deposit and withdraw money without her husband's consent, provided that the balance does not *at any time* exceed $500, no matter what the aggregate amount of the transactions may be.

Married Woman—Bank Account in Her Spinster Name

QUESTION 106.—What is the best way to transfer a bank balance standing in the name of a spinster to her married name? Is a declaration of transmission an actual necessity?

ANSWER.—We think no declaration is necessary. The only question involved is one of identity. The heading of the account may be changed on advice from the depositor that in consequence of her marriage she takes and will hereafter sign her married name; or she may draw for the balance due her and redeposit in her new name.

If she had money at her credit in her maiden name, and drew a cheque in her married name, the bank (assuming that it was aware of all the facts) would not only be quite safe in honoring the cheques but probably would be bound to do so.

Promissor and Endorser both Bankrupt—Right of Holder to Rank on their Estates

QUESTION 107.—A and B are holders of a note, the promissor and endorser on which are both bankrupt. After a lapse of time each estate pays a dividend (or arranges a compromise) of sixty cents on the dollar. Can A and B prove for interest to date of payment, or can they, after collecting sixty cents from one estate, collect more than forty cents (or as much more as will pay principal and interest in full) from the other?

ANSWER.—In making up claims to be filed with an assignee in bankruptcy the rule is to compute interest to the date of the assignment, the reason for this being that the property is assigned in trust to pay the obligations of the debtor existing at the date of the assignment.

As regards the holder's rights against the different parties, he is entitled, as holder, to recover from the promissor the full

amount of the note with interest to date of payment, notwithstanding that he has received a part from the endorser; but if he receives more than one hundred cents on the dollar and interest he becomes a trustee as to the excess for the endorser or other parties concerned. After he has collected from the promissor's estate all that it will pay, his dividend from the endorser's estate cannot exceed the balance of his claim and interest. If he has received the endorser's dividend first, and the dividend from the promissor's estate overpays him, he must pay back the excess to the endorser's estate. If he only collects enough from the promissor's estate to pay his claim in full after applying what he has received from the endorser's estate, the latter would be entitled to the balance of the dividend, if any, from the promissor.

We assume that as between the promissor and endorser the note under consideration is one which the former ought to pay; also that there is no Bankruptcy Act in force containing provisions which would conflict with the views expressed.

On the question of collecting interest from the endorser's estate, the dividend on which would pay balance of principal and interest in full, we think that the claim must be regarded as one against the endorser, for which the claim on the promissor is the security, and that whatever is recovered from the security may be applied, so far as the claim on the endorser goes, first to interest and then to principal, leaving the endorser liable for the balance. This in effect gives a claim for payment of principal and interest in full, when the dividends, as in the case you mention, would more than cover the debt in full.

The question mentions a compromise, as to which it is to be noted that the acceptance of a composition from the promissor, coupled with his discharge, might discharge the endorser from liability as well, if his consent were not obtained, or if the rights against him were not reserved.

Rights of Endorsers Among Themselves

QUESTION 108.—A B sends C D a three months' note in settlement for an invoice of goods. C D, finding he cannot discount the note, returns it to A B, asking that another name be added, in order that he may be able to negotiate it. A B gets E F to endorse the note, and returns it to C D, who endorses it beneath the signature of E F, and negotiates it. The note is dishonored, and E F retires it after maturity. What is the position of C D and E F; who is the first endorser? If C D, then E F, as the subsequent endorser, must have the right to recover from him. Can C D set up that E F endorsed as

surety for A B ; and if so, is it a good defence on the part of E F that he endorsed, at the request of A B, to enable C D to get the note discounted ?

ANSWER.—The question involved here is entirely one of fact. If E F endorsed as surety for C D, the latter must protect him ; if he endorsed as surety for A B, and to make A B's note more satisfactory to C D, E F has no recourse against C D. The order of the names is not material upon the true facts being shown.

Bills of Lading as Security

QUESTION 109.—A bank receives from the shipper of goods a bill of lading (railway receipt) issued by a railway company for goods deliverable to a third party, as security for a draft drawn on the party to whom the goods are shipped. In the event of dishonor can the bank, because it holds the receipt, get possession of the goods without the consignee's authority, or can the shipper get the goods without the surrender of the railway receipt by the bank ?

ANSWER.—The duty of the railway company would be to deliver the goods to the person to whom they have been shipped, and they would ordinarily, we believe, deliver them without production of the receipt. If he refuses them, they would, no doubt, be justified in delivering them to the shipper. The possession of a receipt or a bill of lading in this form would not, we think, give the bank any rights as against the Railway Company to get back the goods.

Securities under Section 74 of Bank Act

QUESTION 110.—A bank gives a credit to a grain buyer, and arranges, for his convenience, to cash his grain tickets, taking a note and security under Section 74 covering the grain, whenever the amount paid reaches a certain sum. Would it be best for the bank to open two accounts, one for the grain tickets paid, to be credited with the proceeds of notes when security is taken, the other for credits for proceeds of grain sold, and debits showing the application of the proceeds of the grain on the notes ? Would the security in such a case be valid ?

ANSWER.—There might be some advantage, in the way of keeping a fuller record of transactions, in having two such accounts, but we do not think that the validity of the security would be affected thereby, one way or the other. That depends on all the facts in connection with the account, and the mere division of the entries could not make any difference.

The payment of the customer's grain tickets, assuming that he has not provided money in advance for the purpose, consti-

tutes the loan, which is afterwards to be secured by assignments under Section 74. It is therefore essential that before paying any grain tickets the bank should hold from the customer a written promise to give security.

QUESTION 111.—A bank advances money to buy hides, taking security on the same under Section 74; the bank and the customer agree that the latter may manufacture them into gloves without prejudice to the bank's security. Will the bank's security cover the gloves while in process of manufacture or after completion, or would it be necessary to take a chattel mortgage to protect the bank?

ANSWER.—We think that under section 76 of the Bank Act an assignment or security under section 74 would continue to cover the goods described in it during the process of manufacture, and would hold the manufactured goods after the completion of the same.

A chattel mortgage would not improve the matter unless there were some irregularity in the security under section 74; the assignment under section 74 could only in the case mentioned be attacked on the score of its validity under the Act, and in a simple case such as you put that risk should amount to nothing.

Bill of Exchange Accepted by Two of Three Drawees

QUESTION 112.—A bank negotiates an unaccepted bill of exchange drawn upon three persons who are not partners. Two of these accept, but the third refuses, and the draft is protested, for non-acceptance by him. The bill is not paid at maturity. What is the position of the bank as regards its claim upon the two who have accepted?

ANSWER.—The parties who did accept must be regarded as acceptors of the bill, and under all the liabilities which the law attaches to them as such.

Insurance on Property Held as Security

QUESTION 113.—Referring to question No. 90, if a bank notifies a customer that it has assumed possession of goods assigned to it under section 74 of the Bank Act—although allowing the goods to remain on the customer's premises—ought it to require a transfer of the insurance into its own name, or would the policies issued in favor of the customer—loss being payable to the bank—be sufficient to protect it, in case of fire?

ANSWER.—The fact that the bank has taken possession of goods assigned to it under section 74 should, as a matter of

precaution, be notified to the insurance company, as it might be held to be a change material to the risk under the conditions of the policy, but notwithstanding the fact that the bank takes possession, its interest is still that of a mortgagee, and the customer remains the "general owner."

Perpetual Ledgers

QUESTION 114.—Are *perpetual* current account ledgers under any legal disability?

ANSWER.—If by "perpetual" ledger is meant one from which the leaves can be removed and fresh pages substituted, we do not think that this involves anything that can be called legal disability. It is conceivable that part of the record might get lost, or its genuineness be impugned because of the apparent ease with which a false sheet could be inserted, but the position of a customer's account is always a matter of proof, and the facts can be evidenced in any way.

As to the expediency of using such a ledger, we would say that we think there are sufficient practical objections to outweigh its apparent advantages.

Account in Name of "Job Smith, 'Sheriff'"

QUESTION 115.—Job Smith, sheriff, places a sum of money in current account in his name as sheriff, the money deposited being court funds. Smith is dismissed from office and a successor appointed. Would a bank be justified in paying Smith the amount on his cheque signed "Job Smith, sheriff"—he no longer holding office—or would an order from the court be necessary? Or again, could the bank pay his successor without incurring liability?

ANSWER.—Unless the bank has had some special arrangement with the sheriff, covering an intimation that the money at his credit is official money payable to himself or to his successor in office, or unless there is some local statute which controls the matter, the deposit in question must be regarded as one which is repayable to Job Smith personally. Under ordinary circumstances, where an account is opened in the name of "Job Smith, sheriff," the word "sheriff" must be regarded as a mere description.

Deposits Payable to Two Persons or Either of Them

QUESTION 116.—The holder of a deposit receipt, on account of his age procures a renewal receipt in favor of himself and wife "or either of them" so that either may draw the money.

Subsequently the wife presents the receipt endorsed by her husband (his mark witnessed), and asks for a renewal in favor of herself alone. The deposit receipt is one which is marked "not transferable." Does the bank take any risk in renewing the deposit receipt in the form which she desires?

ANSWER.—We think not. The original depositor, while he was in a position to deal with the deposit as he pleased, placed the amount at his wife's disposal, and the bank is therefore justified in acting on her instructions.

QUESTION 117.—A deposit receipt is issued which is payable to two persons or either of them; in the event of both dying, leaving wills disposing of the amount in different ways, what course should the bank take?

ANSWER.—Assuming that they did not die simultaneously, but that one survived the other for a longer or shorter time, the deposit became payable to the one of the two depositors who survived the other, and after his death to his executors. The claims of the beneficiaries mentioned in the two wills must be settled between the claimants and the executors of the survivor. The bank is not concerned.

Deposit Receipts "Not Transferable"

QUESTION 118.—Would not the bank's responsibility as to the proper disposal of moneys held on deposit receipt be lessened if the words "not transferable" were omitted from such receipts?

ANSWER.—We think not. A deposit receipt as ordinarily worded, in which the bank undertakes that the money "will be accounted for," is not transferable in the sense in which promissory notes are transferable. The addition of the words "not transferable" does not alter the effect of the form; it merely calls attention to its nature. On the other hand if the deposit receipt were so worded that it was in effect a promissory note, and so negotiable in the ordinary sense, the bank would be liable to any holder of the receipt to whom it might be negotiated, and would lose some advantages, as, for instance, the right to hold the funds against a debt of the depositor.

Security Taken for Current Advances

QUESTION 119.—Can banks legally take security under section 68 of the Bank Act, to secure *current* liabilities (business or accommodation paper under discount, but not yet matured).

ANSWER.—There is no doubt of a bank's right to take security for an unmatured debt under section 68 by way of mortgage on real estate or chattels.

Life Policies as Security

QUESTION 120.—A bank holds an insurance policy of $5,000 upon the life of a customer (properly assigned to it and acknowledged by the company) as security for advances. The customer fails owing the bank $3,000, and the premiums are subsequently kept paid up by the bank, otherwise the policy would be lost. The insolvent dies before his estate is finally wound up, and the assignee, who has knowledge of the bank's security, claims on behalf of the estate the $2,000 resulting from payment of the policy over and above the bank's claim. Could the bank be compelled to surrender the money to him?

ANSWER.—So long as the bank holds the policy as security only, and has not foreclosed the rights of the creditor or his assignee, or obtained a release of their interest in the policy by other proper means, it is bound to account for any surplus. Any premiums the bank pays to keep the policy alive would, of course, be added to its claim on the policy.

Currency of Canada Convertible

QUESTION 121.—Is the currency of Canada a convertible or an inconvertible one?

Can I take $1,000 in legal tender notes to the Receiver-General and demand gold?

Can I demand gold or legal tenders for bank notes if I present them at place of issue?

If I present them at a country branch, can I still insist on being paid in gold or legals?

Section 57 of Bank Act provides for payment of $100 in legals when demanded, but I cannot find answers to the above in the Act.

ANSWER.—The currency of Canada is convertible. The Government will pay gold for legal tender notes when presented to the proper officer, and the banks are bound to pay gold or legal tenders for their notes when presented at the place of payment. Whether or not the bank is bound to redeem its notes in gold or legal tender at any country branch depends upon the terms of the note itself. In practice they are usually made payable at the head office only, and while the bank is bound to receive them in payment of debts at any office, it is only bound to

redeem them at the place or places where they are made payable. There is a further provision as to redemption agencies respecting which please see reply to Question 82.

Section 57 of the Act does not touch this question. Its effect would appear to be merely to impose on banks the duty of paying up to $100 in legal tenders, and so far to deprive them of the right to meet their obligations in gold.

Deposit with Private Banker Guaranteed by a Bank

QUESTION 122.—Does the guarantee of a deposit receipt of, or deposit account with a private banker come within the powers of a chartered bank? Can a branch manager give such a guarantee, and would he be personally liable if the bank were held not to be liable?

ANSWER.—A guarantee of this kind is probably within the scope of the bank's powers, and binding on it if given for a proper consideration. The right of a branch manager to bind the bank by such a guarantee depends on the circumstances; and the facts would have to be carefully ascertained before an opinion could be expressed. The case would, however, be so unusual and open to objection, that the presumption would be against his authority.

If the bank proved not to be bound by his act, he would, if the guarantee was in itself not *ultra vires* of the bank, be responsible to the creditor for any damages sustained through relying on his implied warranty that he had authority to bind the bank. If, however, the guarantee were held to be *ultra vires*, then the manager would not be responsible.

The power of a bank to enter into a guarantee will depend upon the nature of the transaction. If the transaction be one which "appertains to the business of banking" within the meaning of section 64 of the Bank Act, it would be within the bank's powers.

It was held by the court in Montreal that a bank was not authorized to enter into a contract of suretyship guaranteeing the payment by a customer of the hire of a steamship under a charterparty. *Johansen v. Chaplin.*

Municipal Accounts

QUESTION 123.—Is it essential under the provisions of the Ontario Act to make better provision for the keeping and auditing of Municipal and School Accounts, that the treasurer of a municipality should keep the municipal account at a chartered bank; and is it obligatory on his part to pass all transactions through the account?

ANSWER.—The Ontario Statute respecting Municipal and School Accounts (60 Vict., chap. 48) recognizes, by section 20, the deposit of municipal funds in chartered banks, private banks and companies.

We are not aware that there is any legislation making it obligatory on the part of the treasurer to pass all transactions through the bank account.

Old Issues of Canadian Bank Notes

QUESTION 124.—Why is it that old issues of Bank of Nova Scotia and Merchants Bank of Halifax notes are not worth their face to-day?

ANSWER.—We presume that the notes referred to were issued before 1st July, 1871, and that they are consequently payable in the old currency of Nova Scotia. Such obligations are by section 10 of the Act respecting the currency, 1886, payable in the equivalent of the currency of Canada, of which 97⅓ cents is made equal to $1 of the old currency of Nova Scotia.

Refusal of Bank to Pay Customer's Cheque for which there are Funds

QUESTION 125.—May the teller of a bank refuse to cash a cheque which is correct in every particular and for which there are funds? The case in mind is one where the teller had accidentally become aware that it was the drawer's intention to order the bank not to pay, but the teller knew of no reason why the drawer should stop payment, and no such notice had been received by the bank when cheque was presented.

ANSWER.—As the customer who drew the cheque is the only person who would have any right to complain of its refusal, and as the teller's action was in accordance with his wishes, although not formally notified, the refusal was in order. We think the teller took the risk of the drawer changing his mind, and of making the bank liable for having refused a cheque for which there were funds.

Domiciliation of Bills by the Acceptors

QUESTION 126.—May not the drawee of a draft accept it payable where he pleases? If such acceptance is not satisfactory to drawer or endorsers, can they object?

ANSWER.—Under section 19 of the Bills of Exchange Act, s.s. 2, an acceptance to pay at a particular specified place is in effect declared to be a general acceptance, and is one which the

holder cannot refuse. This provision might give rise to difficulties, as for instance, if the drawee were to make the bill payable at some unreasonably distant place. In practice, however, it works well enough, and it protects banks against the discharge of prior parties, which might result but for this provision, through taking an acceptance naming a different place for payment from that specified by the drawer.

Insufficient Funds for a Cheque

QUESTION 127.—Would you think it well to amend the law so as to give to the holder of a cheque for which there are not sufficient funds, a right to receive whatever amount there may be at credit of the account?

ANSWER.—We think that it is now permissible for a bank to accept a cheque for part of its amount, and of course, subsequently to pay the partial amount, but it is not obligatory, and we think that as a practice it would be open to objection. As far as the interests of the banks are concerned we think that any legislation giving the holder of an unaccepted cheque rights against the bank would be highly undesirable. At present banks are responsible only to their own customers for what they do, or omit to do, in respect to any unaccepted cheque, and to alter this position would involve serious consequences.

Endorsed Note lost in the Mails and not presented for Payment on Date of Maturity

QUESTION 128.—A customer deposits with the bank a note for collection, on which there is a good endorser. The note is payable at a distant point, and when deposited for collection has still two months to run. The bank forwards it at once to its agents for collection, but on enquiry ten days after maturity of the note they find that their letter had never been received. The makers of the note are worthless. Was not the endorser discharged for want of notice, and would not the bank be responsible for neglect in not looking for an acknowledgment of the letter?

ANSWER.—Unless there were some exceptional circumstances connected with the case, any responsibility for the loss of the bill in the mails must fall on the bank. The liability of the endorser, however, would be preserved, if when the cause of delay ceases to operate, even although the note were ten days overdue, presentment be made with reasonable diligence and notice of dishonour sent. Section 46 of the Bills of Exchange Act excuses delay in presentation when "caused by circumstances beyond the control of the holder, and not imputable to his

default, misconduct or negligence." We think that the bank's neglect to see that the letter was acknowledged was not negligence within this section, and that the delay was beyond its control. There appear to be no English cases covering the point, but there are some American cases in which it was held that delay in the post office, when a bill is mailed in good time, is a valid excuse for delay in presentation.

Telegraphic Transfers

QUESTION 129.—A bank at E. F's request sends this telegram to a correspondent: "Notify and pay to A. B. ten thousand dollars to be applied on account of C. and D. bonds." The money is paid by the correspondent to A. B. with directions to apply as above, but A. B. does not apply it as directed. Can the bank or its correspondent be held responsible by E. F., on the ground that the correspondent should have seen that the money was applied as directed?

ANSWER.—We think not. The instructions were to pay the money to A. B., and to inform him of the application to be made of it. If these instructions were carried out the matter would rest entirely between E. F. and A. B.

Deposit in name of Deceased Executor

QUESTION 130.—A bank issued a deposit receipt to John Jones, executor. John Jones is now dead. The deposit receipt is not mentioned in his will. Are his executors legally entitled to withdraw the money?

ANSWER.—The executors of a sole trustee or surviving trustee become the trustees in his place and consequently have authority to deal with the deposit which he held in his lifetime as trustee. As the deposit receipt mentioned was not the testator's own property, it would not, of course, be mentioned in his will.

Cheque Drawn on an Altered Form

QUESTION 131.—The name of the bank printed on a cheque was ruled out, and that of the one at which the drawer kept his account written in. Would this under any circumstances be a material alteration?

ANSWER.—Any change made in a cheque before the drawer signed it is not an "alteration" in any sense. If the change were made after the cheque was issued, it would, of course, invalidate the cheque, and the question sometimes arises as to the

propriety of paying a cheque drawn on an altered form where the alteration is not initialed by the drawer. Ordinarily, no doubt, the surrounding circumstances justify the payment of such a cheque.

Bank Stocks held "in trust"—Trustees and the Double Liability

QUESTION 132.—A trustee accepts a transfer of stock in a bank, describing himself as a trustee but without stating for whom. In case there should be a call for the double liability would he be personally responsible?

ANSWER.—Yes. See section 44 of the Bank Act

Trust Funds Deposited in a Private Bank

QUESTION 133.—A solicitor or trustee deposits a client's money in a private bank, without instructions from the parties interested. In case of loss would he be held personally responsible?

ANSWER.—This would depend altogether on the facts. If, *e.g.*, there were no better place of deposit available, and the alternative would be to retain the money in his own house at risk of robbery, and if the other circumstances made the course one which any prudent man would adopt in dealing with his own moneys, the trustee would probably not be under personal responsibility.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

Rules respecting Endorsements.—Elsewhere in this issue of the JOURNAL will be found the text of the rules respecting endorsements which have been approved by the council of the Association.

It will, we think, be an important step forward if the understanding between banks on this point is uniform all over Canada. The matter of the exchange of endorsed items is one which has given rise to a good deal of friction and unnecessary labor in the past, and this we may hope to see remedied in the future, although there will no doubt be cases for which the rules do not provide. The advantages of having officers of the banks, wherever stationed, accustomed to the same mode of dealing with exchanges, are obvious. Hitherto, removal from one point to another has necessitated in some measure the learning of a new system.

The recent amendment of the Bills of Exchange Act, and a clear understanding everywhere as to what endorsements are to be regarded as regular, should put the whole business of exchanging items between banks in Canada on the most satisfactory footing.

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"One-man" Companies.—The judgment in *Rielle v. Reid* is, we think, the first in which the conversion of a private business into a joint stock company, undertaken for the purpose of getting private assets out of the reach of creditors, has been dealt with by the courts in Canada. The judgment protects the rights of creditors of the company, but for the rest declares the assets to be liable for the debts of the private business, and gives equitable orders for their realization. We have had several

cases in Canada where creditors have been set at defiance from under cover of such an incorporation. Hereafter, with this judgment in view, attempts of this kind are not likely to be so glaring.

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Material alteration.—In a case which recently went to the Ontario Court of Appeal (*Boulton v. Langmuir*), among other matters the question of what constitutes a material alteration came up. The date of a note payable on demand with interest was changed by the payee to a later date, and notwithstanding the fact that the effect of this was to benefit the maker, it was held that this was a material alteration which rendered the note void. In dealing with this point in the case Osler, J.A., remarked:

"To alter the date of a note was to make it appear to be a different contract from that which the defendant had entered into, both as regards the date at which it became an existing contract, and the time from which it bore interest. I do not see that the fact of its being thereby made in one respect more favorable to the defendant affects the question of the materiality of the alteration. It is the change in the contract, not the surrounding circumstances, which the law regards."

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Cheque mailed by an Insolvent about to make an Assignment.—There are some interesting points in *Halwell v. Township of Wilmot.* The court found that the property in a cheque sent to a bank by mail for credit of an account, passed as soon as the cheque reached the bank. There was a further finding that the property in the cheque passed irrevocably, by virtue of the Post-office Act, as soon as the letter was posted. If the latter be literally true, it is clear that banks would incur responsibility if they permitted parties sending remittances by mail for the credit of others to alter the disposition to be made of these funds after they have been mailed.

In the judgment in appeal it is laid down that as soon as the bank had received the cheque, with instructions to credit it to the township, whether any entry had been made or not, the right to the money passed to the township and could not be rescinded.

Securities under Section 74 of the Bank Act.—In a carefully considered judgment delivered in the case of *Conn v. Smith*, the creditors of an insolvent have been denied the right to follow moneys received by a bank as the proceeds of goods on which it had held security under section 74 of the Bank Act, which security was alleged to be invalid under section 75 of the same Act. The court held that the clause respecting preferences, giving creditors the right to follow the proceeds of goods the transfer of which would have been invalid against creditors, should be limited to transactions invalid against creditors *qua* creditors, and not extended to transactions which might be declared invalid for reasons other than those designed to protect creditors. The transactions attacked in this case, if invalid, were so because they were contrary to the limitations imposed by parliament upon banks, and not because of any interference with the rights of creditors.

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Valuing Securities—Joint Promissors.—In *Bell v. Ottawa Trust and Deposit Company* the judgment is of interest chiefly because of its bearing on the cognate clause of the Ontario Act respecting Assignments. The case came up in the administration of the estate of a deceased partner, who was a joint promissor with his firm on certain notes, under a clause in the Act respecting the administration of estates of deceased insolvents having reference to the valuation of securities. This clause is identical in effect with the clause in the Act respecting Assignments. It was held that the security upon an asset of the firm (certain timber limits) was not security on the estate of the deceased partner, nor security on the estate of a third person for whom he was indirectly or secondarily liable, as his liability was direct and primary. The bank was therefore permitted to rank on the personal estate without valuing the security. Questions of this kind arising under the Act respecting Assignments might be affected by section 5 of that Act, which deals with liabilities of a party in his personal capacity and as a member of a co-partnership.

Signature to Promissory Note obtained by Fraud.—The judgment of Lord Russell of Killowen, C.J., in the somewhat notorious case of *Lewis v. Clay* will, we think, be read with much interest. The circumstances were altogether remarkable. A member of a great English family, by representing that he had some private documents relating to his sister's divorce, which he wished to get witnessed but did not wish his friend to see, got the latter to sign some papers which were in reality promissory notes for large amounts, in favour of a money lender. The latter in an action to recover the amount of the notes from this friend lost his case. It is somewhat difficult to understand the findings of the jury on the questions asked them with respect to the defendant's action in signing his name under these circumstances, and it may be that the learned chief justice's deductions from the facts as found by the jury are inevitable, but the case opens up possibilities which are rather appalling to bankers. Had the judgment rested on the ground that the plaintiff, as the payee named in the note, was one of the immediate parties and stood in a different position towards the makers than would a holder in due course, the outcome would have seemed less surprising to business men, but the chief justice declares emphatically that a holder in due course to whom the bill had been negotiated would be in no better position.

There is no doubt that where a person has been induced by fraud to sign his name to a contract without any intention of making any contract at all, and believing that the document was not a contract, and if the signature is given without negligence, the party is not liable. This is one of the ordinary risks which people who handle notes in the way of business have to take, but it really seems to us that a man who has such unbounded confidence in a friend as to put his signature to documents which he has not seen, though he has every chance of examining them, ought to bear the consequences of his act if his friend betrays him.

We are not aware whether the case has been carried to appeal. If it has, the judgment of the higher court will be looked for with interest.

Court of Appeal, England

The Queensland National Bank v. the Peninsular and Oriental Steam Navigation Company*

Carriage of specie under implied warranty that the specie room is reasonably fit to resist thieves.

This was an appeal from the judgment by Mr. Justice Mathew, taking commercial cases. The action was brought to recover £5,000 damages for the loss of 5,000 sovereigns which were being carried on board the defendants' steamship Oceana from Port Jackson to London. The plaintiffs, under a bill of lading, shipped ten boxes, each containing 5,000 sovereigns, on board the Oceana to be delivered at Lloyd's Bank, London. The bill of lading contained exceptions (*inter alia*) of loss by robbers or thieves by sea or land, defects, latent or otherwise, in hull or its appurtenances, or from any act, neglect, or default whatsoever of the pilot, master, mariners or other servants, or of the agents of the company. The boxes in question were placed in the bullion room, and during the voyage the bullion room was broken open and one of the boxes was stolen. The plaintiffs in their statement of claim alleged that there was an implied warranty that the Oceana had such a bullion room as to make her a fit vessel for the carriage of bullion, and that the bullion room was so defective that the vessel was not fit for the carriage of bullion. It was ordered that, before the questions of fact were tried, the preliminary question of law should be determined whether there was any warranty by the defendants under the bill of lading that the room in which the bullion was stowed was so constructed as to be reasonably fit to resist thieves. There was nothing in the bill of lading referring to a bullion room, but it was admitted that the Oceana had a bullion room and that the plaintiffs knew it. For the purposes of this argument it was assumed that the bullion room was defective. Mr. Justice Mathew held that there was an implied warranty in the bill of lading that the bullion room was in a reasonably fit condition to resist thieves, and decided the preliminary question in favor of the plaintiffs. The defendants appealed.

**Times Law Reports.*

The Court dismissed the appeal.

Lord Justice A. L. Smith said that there were very large exceptions in the bill of lading, and, apart from an implied warranty, the defendants would in all probability have an answer to the claim by showing that the loss was caused by thieves. The question, however, was whether upon this bill of lading there was an implied warranty that the bullion room in which the gold was placed was reasonably fit to resist thieves. It seemed to him that the foundation of Mr. Justice Mathew's judgment was this, as stated by that learned Judge:—"I assume, for the purpose of my decision, that the vessel in question, the Oceana, like others of her class, was furnished with a receptacle for bullion and valuables, usually called a specie room; and that the contract in the bill of lading was entered into with the knowledge and upon the footing that this receptacle had been provided for the safe carriage of the gold mentioned in the bill of lading." That assumption, upon which the learned Judge based his judgment, brought the case within the decision in the *Maori King v. Hughes*. In his (the Lord Justice's) opinion that assumption was fully borne out by the admissions made during the argument in the Court below. It was argued that there was no implied warranty that the bullion room was reasonably fit to resist thieves. The parties contracted on the footing that there was a bullion room. What was a bullion room for? Not to resist the waves or fire; it was for the purpose of securing the gold in it from thieves. It was said that gold could be carried in other parts of the ship. That was not the issue raised before Mr. Justice Mathew. The question was whether there was a warranty that the bullion room was, at the time when the ship started, reasonably fit to resist thieves. Upon the authorities which had been referred to, in his opinion there was such a warranty.

Chitty and Collins, L.JJ., concurred.

Queen's Bench Division, England

Lewis v. Clay*

The defendant's signature as joint maker of certain promissory notes was obtained on the misrepresentation that he was merely witnessing the execution of some private papers, the true nature of the documents being concealed. The plaintiff, the payee of the notes, was not a party to the fraud.

Held, on the finding by the jury that there was in fact no want of due care in the signing of the defendant's name in this manner, that he was not precluded from setting up the true facts: that he did not sign with the intention of giving promissory notes or undertaking any obligation; and that the plaintiff could not recover.

Semble, that even if suit were brought by a "holder in due course" to whom the notes had been negotiated, it would make no difference in the result.

This case was tried before Lord Russell of Killowen, C. J. The facts appear sufficiently in his Lordship's judgment, as follows:

This is an action brought by the plaintiff as payee against the defendant to recover from him, as one of two makers, the amount of two joint and several promissory notes dated respectively June 15, 1896, one for £3,113 15s., payable three months after date, and the other for £8,000, payable six months after date. The name of the other joint and several maker on each promissory note is that of Lord William Nevill. It is admitted that the genuine signature of the defendant appears as maker on each of the promissory notes, which had been prepared in the plaintiff's office, and also that his genuine signature appears on two letters, one dated June 15 referring to the note of smaller amount, and one dated June 21, 1896, referring to the note of larger amount, authorizing the plaintiff to pay the proceeds to Lord William Nevill. The latter brought the promissory notes and letters to the plaintiff, who, it is admitted, gave value for them, and who is found by the jury to have taken them in good faith. The defendant contended that he was not liable on the ground that he had never been asked, and that he never intended to put his name on any bill or promissory note, or to take upon himself any contractual obligation or legal liability of any kind. He explained that he had just come of age in June, 1896; that he had known Lord William Nevill intimately for some years; that he and Lord William Nevill were members of the same Ascot party in that month; and that on Sunday, June 21, Lord William Nevill had come to his bedroom and asked him to witness some deed or document; that he produced a roll of papers covered up by blotting or other paper, in which there were four openings; that upon the

* *Times Law Reports.*

defendant asking what the document was about, Lord William Nevill said he would show it if the defendant insisted, but he would rather not, for that it was a private matter, that he wanted a power of attorney, and that it had to do with his sister, Lady Cowley's marriage settlement, and to certain divorce proceedings then pending; that he (the defendant) did not insist on seeing the document, trusting to Lord William Nevill; that upon this the defendant signed his name, he believed four times, and he thought Lord William Nevill signed twice in the openings. He said he had signed his name with the single intention of witnessing the signature of Lord William Nevill. He added that up to that time he had had no reason to doubt the honour of Lord William Nevill, and that, so far as he knew, no one who knew Lord William had. The following questions were put to the jury, who gave the answer appended to each :—(1) Did the plaintiff take the promissory notes in good faith? [It is admitted he took them for value.] Answer.—Yes. (2) Is the defendant's account of the circumstances under which he signed his name substantially true? Answer.—Yes. (3) Was the defendant, in signing his name as he did, recklessly careless, and did he thereby enable Lord William Nevill to perpetrate the fraud? Answer.—No; not under the circumstances. (4) Were the signatures to the documents given by the defendant in misplaced confidence in the statements of Lord William Nevill as to their nature? Answer.—Yes. (5) Did the defendant sign his name to be used by Lord William Nevill for any purpose he chose? Answer.—No. (6) Did the defendant attach his signature to the documents without due care? Answer.—No, not under the circumstances. I have now to consider in the light of these findings which of the parties is entitled to judgment. It is clear that the proof of the signature of the defendant to the promissory notes, coupled with proof of their delivery to the plaintiff under the apparent authority of the defendant, makes out a *prima facie* case for the plaintiff. Is it a conclusive case? Here two questions arise—(1) Is the defendant precluded or estopped from setting up the true circumstances under which his name came to appear on the documents in question? (2) If not, do those true circumstances afford an answer in point of law to the plaintiff's claim? As to the first question the defendant is not, in my judgment, estopped or precluded from setting up the actual facts upon any principle of law. Apart from statute such preclusion or estoppel can only arise (in circumstances like the present) where the defendant had so conducted himself that it would be contrary to natural justice to permit him to assume a position inconsistent with that which he had ostensibly occupied, or which he led others to believe he occupied, and upon which others had, mis-

led by his conduct, been suffered to act. In the present case the suggestion on the part of the plaintiff is that the defendant had not used due care in signing his name, and that he had signed in misplaced confidence in Lord William Nevill. The jury have found that there was, in fact, no want of due care in the circumstances in signing his name as he did; but it was urged that the finding as to misplaced confidence was sufficient, and the authority of a distinguished American Judge in the case of *Putnam v. Sullivan* was cited. What does misplaced confidence mean? It may mean confidence placed where you know or ought to know it is not safe, or confidence placed where you have every right to believe it is safe, but where it is afterwards betrayed. The former, I think, is the case the learned Judge had in his mind, and the facts there may afford evidence of want of due care; but that clearly is not here the meaning attributed by the jury to misplaced confidence, for they have found that there was in the circumstances no want of due care on the part of the defendant. Taking the findings together they amount to this—that the defendant was in the circumstances guilty of no want of due care in placing confidence in the statement made by Lord William Nevill, and accordingly in signing his name as he did; and I decline to hold that the placing of confidence as here shown, which is afterwards betrayed, where it is not recklessly or negligently so placed, in any way precludes the defendant from setting up the facts as a defence. I conclude, therefore, the defendant is not, upon any principle of law, estopped or precluded from setting up the true facts. How, then, is the plaintiff's case put? It was argued that whatever was the law before or apart from the Bills of Exchange Act, 1882, the facts here did not under that Act afford a defence as against a "holder in due course," which, it was said, the plaintiff was within section 29, and that the question must be determined by reference to that Act alone. I think this argument involves a misconception both of the plaintiff's position and of the scope and effect of the Act of 1882. It will be apparent from a consideration of the facts of the case that the plaintiff was not a "holder in due course" at all, but that he was, in fact, simply the named payee of two promissory notes. Further, an examination of sections 20, 21, 29, 30 and 38 relating expressly to bills, and sections 83, 84, 88 and 89 relating to promissory notes, will make it quite clear that "a holder in due course" is a person to whom, after its completion by and as between the immediate parties, the bill or note has been negotiated. In the present case the plaintiff is named as payee on the face of the promissory note, and therefore is one of the immediate parties. The promissory notes have, in fact, never been negotiated within the meaning of the Act. I desire to say

here that, even if the plaintiff were "holder in due course," it would, in my judgment, make no difference in the result. But is the contention right that the Act of 1882 must alone be looked to? I think not. That Act was intended to be mainly a codification of the existing law, but it is not merely a codification Act, for some alterations of the law are clearly effected by it and it does not purport to be exhaustive, for by section 97 the rules of the Common Law (including the Law Merchant), save in so far as they are inconsistent with the express provisions of the Act, continue to apply. But I agree that in determining questions of liability on bills or notes it is proper to examine the Act before turning to the case declaratory of the Common Law decided before that Act. It is unnecessary to set out the provisions of the Act and to comment in detail upon them. It is enough to say that there is nothing in the Act which prevents the defendant from setting up the defence that he never made the promissory note in question—which is the real defence here. It would, indeed, be strange if it did. For the purposes of the present case the question is precisely the same as if any other contract than one by promissory note had been written on the documents, to which the defendant was induced to sign his name—for instance, if it had been a contract of guarantee or suretyship. Then the question would have been—Did the defendant make the contract of guarantee or suretyship? Here it is—Did he make the promissory notes sued upon? The question, then, is, on the facts as they are now found to be—Did the defendant make the promissory notes in question? If he did not, then the finding of the jury that the defendant was not guilty of any want of due care establishes that he is not precluded from saying so. That there is a *prima facie* case on the plaintiff's evidence that he did, I have already said; but is that *prima facie* case rebutted and displaced by the defendant's evidence? According to that evidence it must, after the findings of the jury, be taken to be the fact that he thought he was witnessing a deed or document; that he was so told; that he had no idea of signing and was not asked to sign any bill or promissory note, or to undertake any contractual obligation of any kind. A promissory note is a contract by the maker to pay the payee. Can it be said that in this case the defendant contracted to pay the plaintiff? His mind never went with such a transaction; for all that appears, he had never heard of the plaintiff, and his mind was fradulently directed into a different channel by the statement that he was merely witnessing a deed or other document. He had no contracting mind and his signature obtained by untrue statements fraudulently made, to a document of the existence of which he had no knowledge, cannot bind him. It is as if he

had written his name for an autograph collector, or in an album. The case differs in no material respect from one in which a genuine signature is deftly transferred by delicate contrivance from one document to another, and so skilfully as to escape notice under ordinary examination. Or, again, if the body of the promissory notes had been fraudulently written above, and after his signature had been made, it would have been forgery, and in such case it is clear no recourse should be had upon it. Can it make any difference as to resulting contractual obligation that the body of the note was without his knowledge filled up before he was fraudulently induced to put his name in the belief that it was something wholly different? I think not. In plain reason it must be said that the use to which the defendant's signature was applied was in substance and effect forgery, whether or not it amounted to the criminal offence of forgery. I think it well to point out that cases like the present differ widely from those in which the party sought to be charged has agreed and intended to enter into contractual obligation by bill or note but has been defrauded into agreeing, or been defrauded in the manner in which the bill or note has been dealt with. In such cases he is liable, on principle and authority, to anyone who has dealt with the bill or note in good faith and for value. It was in argument admitted that the case of *Foster v. Mackinnon* is in point, and is an authority binding on me if the Bills of Exchange Act of 1882 has not altered the law as there declared. I find that the law has not been so altered. I see nothing in the Act to warrant the suggestion that it has been altered, and it is noteworthy that all the text-writers dealing with the Bills of Exchange Act, 1882 (including, indeed, the draftsman of the Act), treat that case as an existing authority. The facts in *Foster v. Mackinnon* were that an old man of feeble sight was induced—without, as the jury found, any negligence on his part—to sign his name on the back of a bill by the fraudulent statement that it was a guarantee which, in fact, he had undertaken to sign. The Court of Common Pleas (consisting of Chief Justice Bovill and Justices Byles, Keating, and Montagu Smith) held that he was not liable, and this in an action by what was then called a *bonâ fide* holder for value and without notice, of which "holder in due course" is now the legal equivalent. In these islands, cases in litigation of frauds such as that here practised are of rare occurrence, partly because of the existence and character of our stamp laws, but in the United States of America, where no such laws exist, there are many authorities dealing with points similar to that in the present case. The great weight of United States authorities supports the view of the common law expressed by the English Judges. I have thought it right to say so much, but in truth these authorities

are not necessary for the purpose of this case. They are all cases where the bills or notes had been negotiated to persons now called "holders in due course." It follows, if such a holder cannot in a case like the present recover, *a fortiori* that the plaintiff—who, as named payee, is one of the immediate parties—cannot recover. In the result, therefore, my judgment must be for the defendant, and the plaintiff must be enjoined from in any way dealing with the notes, and the same must be cancelled so far as they purport to be the notes of the defendant.

A stay of execution as to costs was granted, in view of an appeal.

Chancery Division, England

In re Castell and Brown, limited—ex parte Union Bank of London*

A company gave its debenture holders a floating charge on all its real and personal property, present or future, but retained in its possession the title deeds. The debentures contained a stipulation that no charge should be placed on the property in priority to them. The title deeds were subsequently deposited with a bank as security, the company giving the bank an equitable mortgage with an agreement to execute a legal mortgage when required.

Held, that the bank was entitled to rely on the fact that the company had possession of its title deeds as evidence of its right to create the charge in the bank's favor, and that the bank's charge must have priority.

The question in this case was whether the bankers of a company who had advanced money to the company on the security of its title deeds were entitled to priority over the company's debenture-holders notwithstanding that the property comprised in the title deeds was comprised in the debenture security and by the terms of the debenture itself the company was expressly forbidden to charge such property in priority to the debenture charge. It appeared that the above company was formed in December, 1884, and in May, 1885, issued in pursuance of its borrowing powers debentures to the amount of £28,000. Each debenture purported to charge all the property of the company whatsoever and wheresoever, both present and future, including its uncalled capital for the time being, and was endorsed with conditions. These were, amongst others, that the debenture was one of a series for securing principal moneys not exceeding in the whole at any time two-thirds of the

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* *Times Law Reports.*

amount of the company's paid-up capital for the time being, and that the debentures were to rank *pari passu*, and that the charge was to be a floating security, but so that the company was not to be at liberty to create any mortgage or charge upon its freehold or leasehold hereditaments in priority to the debentures. No legal mortgage of the freehold or leasehold hereditaments was ever made to the debenture-holders, and the title deeds remained in the possession and under the control of the company. In April, 1892, the directors of the company opened an account with the Union Bank of London, and were allowed by the bank to overdraw on depositing the title deeds of the company's leasehold property. The overdraft was paid, but the deeds remained in the custody of the bank, and in August, 1895, the bank allowed a second overdraft on the company giving a memorandum of equitable charge on the deeds and an undertaking that the company and all other necessary parties would on demand make and execute valid legal mortgages in favour of the bank. The interest on the debentures being in default the above action was instituted by the debenture-holders, and in July, 1896, the usual judgment was made for the appointment of a receiver and directing inquiries as to the charges and their priorities. In April, 1896, the company had passed resolutions for voluntary liquidation, and in June, 1897, an order was made for the continuation of the liquidation under the supervision of the Court. In February, 1897, the bank was served with notice of judgment in the action. At that date the overdraft at the bank amounted to £220. The bank stated that until served with notice of judgment they had not had any notice of the company having issued any debentures, or that it had created any charge upon the property comprised in the deeds deposited with the bank. The company being stated to be insolvent the bank claimed to have a prior charge for £220 and interest, and to retain the deeds until their debt was paid.

Mr. Justice Romer said,—This is a question of priority between two equitable encumbrancers. The debentures are prior in date. But the Union Bank at the date of its charges had no notice, express or implied, of the prior encumbrance, and obtained possession of the title deeds, and, under the circumstances of the case, claims priority. If the equities of the two encumbrancers are in other respects equal, then, of course,

priority depends upon the dates of the charges. But the question is whether, under the circumstances of this case, the bank has not the better equity so as to entitle it to priority. Now, as between equitable encumbrancers in determining priority, the possession of the deeds has always been treated as a circumstance of great importance. And, indeed, in some of the numerous cases which show this there are observations of the Judges who decided them which go very far. . . . I do not think a prior equitable encumbrancer would lose his priority where he did not obtain the deeds, and the deeds came to the hands of the subsequent encumbrancer through no default of any sort on his part. I therefore proceed to enquire into the circumstances under which, in the present case, the deeds came into the hands of the bank. In the first place, I cannot hold that there was any negligence on the part of the bank. When making its advances to Castell and Brown, Limited (which I will hereafter call the company), it found the company in possession of the deeds in question, and, apparently, able as unencumbered owner to charge the property. The company purported as such unencumbered owner to give a charge to the bank, and I think the bank was, under the circumstances, entitled to rely upon obtaining a charge free from encumbrance. It is suggested on behalf of the debenture-holders that the bank ought to have made some special enquiries of the company. But it is not suggested that the bank wilfully abstained from making enquiries, and as the bank had no reason to suppose that the company was not fully able to give a valid first charge, and found the company in possession of the deeds which showed no encumbrance, I think the bank was not bound to make any special enquiry. It is said on behalf of the debenture-holders that it is so common for companies to issue debentures that the bank ought to have assumed there were some in this case, or, at any rate, to have specially enquired about debentures. But every company does not issue debentures, and moreover, every debenture does not charge property of the company, and certainly not property the title deeds of which were left with the company. It might just as well be said, because it is common for private individuals to mortgage their properties, that a person asked to make advances to a borrower who appears to be unencumbered owner, and has the deeds showing him to be such owner, is bound to assume that the borrower has previously mortgaged, or to make special enquiries of him on the footing that he has previously mortgaged. Such a contention appears to me unreasonable. I therefore hold that there was no negligence on the part of the bank; and I now look to see how it was that the company retained possession of the deeds, notwithstanding the issue of the debentures. The reason appears to me to be

obvious. The debentures were only intended to give what is called a floating charge, that is to say, it was intended, notwithstanding the debentures, that the company should have power, so long as it was a going concern, to deal with its property as absolute owner. And I infer it was on this account that the company was allowed to, and did, retain possession of the deeds. In other words, the debenture-holders, notwithstanding their charge—and, indeed, by its very terms—authorized their mortgagor, the company, to deal with its property as if it had not been encumbered, and left with their mortgagor the deeds in order to enable the company to act as owner. It is true that, having given this general authority to the company, the debentures purported to put a certain special restriction on its exercise. By the first condition it was provided that, though the charge was to be a floating security, the company was not to be at liberty to create any mortgage or charge upon its freehold or leasehold hereditaments in priority to the debentures. This restriction was, no doubt, quite valid as a private arrangement between the company and the debenture-holders. But can the debenture-holders, under the circumstances, set it up as against the bank taking its securities without notice? I think not. I take it to be established that if a first mortgagee, even though he has the legal estate, authorizes the mortgagor to retain the deeds in order that the mortgagor may thereby as ostensible owner of the property be able to deal with it, though only to a limited extent, yet if the mortgagor takes advantage of the deeds so left with him to deal with the property to an extent beyond what was authorized, then the mortgagee cannot set up his charge as against a purchaser for value without notice who claims under the unauthorized dealing and relied on the deeds and the apparent ability of the owner to deal with the property free from encumbrances. . . . In my opinion, the bank has a stronger equity than the debenture-holders and is entitled to priority. I may add that if I am not mistaken in my inference that the deeds were allowed to remain with the company because the debentures created a floating charge only, and it was intended that the company should be authorized to act as owner (subject to the special conditions imposed by the debentures), then I cannot see why the debenture-holders should not have obtained possession of or control over the deeds in some shape or form, and they would come within the series of cases which have decided that a first mortgagee, even a legal one, who negligently leaves the deeds in the hands of the mortgagor, is postponed to a subsequent mortgagee who obtains the deeds without notice. I therefore declare that the bank's charge has priority and their costs will be added to their security.

Court of Appeal Ontario

Halwell v. Township of Wilmot*

The transfer by the defaulting treasurer of a municipality to the bankers of the municipality of the accepted cheque of a third person for the amount due by him to the municipality cannot be impeached under the Assignments and Preferences Act, the duty to make good his wrong being sufficient to protect the transaction.

Judgment of Ferguson, J. affirmed.

The cheque was sent by the treasurer by post in a letter to the bankers and this letter was received by the bankers in the afternoon, but the amount was not credited in the bank books to the municipality till next morning, and before this was done an assignment for the benefit of creditors had been made by the treasurer:—

Held, that the property passed as soon as the cheque reached the bankers and that the assignment was not a revocation of the transfer.

Per Ferguson, J.—The property in the cheque passed irrevocably by virtue of the provisions of the Post Office Act, R. S. C. ch. 35, section 43, as soon as the letter was posted.

Judgment of Ferguson, J., affirmed on other grounds.

This was an appeal from the judgment of Ferguson, J., before whom the action was tried at Stratford, in November, 1896. The case was submitted to the Court by means of written admissions signed by counsel, in lieu of evidence, and the facts of the case appear to be as follows:

One Alfred Kaufman was the treasurer of the township of Wilmot, and as such had in his hands from time to time several thousand dollars, which moneys he had for some years used as his own. He became insolvent and judgment against him having been obtained by one of his creditors, execution was issued to the sheriff of Waterloo on the 26th February, 1896. On the 27th February at about 3.30 p.m., the sheriff seized the goods of the said Kaufman at the village of Baden where the latter resided.

On the 24th February, with a view to making good his deficiency to the township, Kaufman through Turnbull & Barrie of Galt, arranged with Irwin, a private banker in that town, to lend $3,400 on a chattel mortgage with the note of James Livingston (surety for Kaufman to the township) for a like amount as collateral. This money was paid by Irwin on 25th February to Turnbull & Barrie, who on 27th February mailed their check for the amount in favor of Alfred Kaufman or order

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(accepted by the bank) to the said Kaufman. The letter containing this cheque could not have been received by Kaufman until after the seizure by the sheriff.

On the evening of the 27th or morning of the 28th, Kaufman endorsed the cheque and mailed it to the Canadian Bank of Commerce, London, who received it after banking hours on the 28th, and on the following morning, the 29th, placed the amount to the credit of the "township of Wilmot, A. Kaufman treasurer," as instructed.

On the 28th February, at about 9 o'clock p.m., Kaufman made an assignment to the plaintiff for the benefit of his creditors.

The plaintiff brought action to have it declared that the moneys so paid to the township were the property of the general creditors, on the grounds that the property in the cheque passed to the plaintiff by virtue of the assignment, and that in any case the payment constituted a fraudulent preference.

FERGUSON, J. . . . It was, however, contended that the cheque, though endorsed by Kaufman and deposited in the post office as aforesaid, was under a command or mandate by Kaufman given to Dewar, the manager of the bank at London, contained in the letter enclosing the cheque, and that Kaufman had at the time of executing the assignment to the plaintiff, an existing right to revoke or recall this mandate, Dewar being Kaufman's agent for the purpose of this mandate, and that this right passed to the plaintiff by the assignment under the words in this respect of section 4 of R. S. O. ch. 124, the word "rights" being one of these words.

Section 43 of R. S. C. ch. 35, not only says that "from the time any letter, packet, chattel, money or thing is deposited in the post office . . . it shall cease to be the property of the sender," but goes on to say that it "shall be the property of the person to whom it is addressed or the legal representatives of such person."

This language seems as clear and strong as any words in which a law could be expressed, and I have not found anything in the Act to qualify it.

In England, as here, the sender of a letter cannot get it returned after it has been posted, and if the endorsee of a bill authorizes the endorser to send the bill through the post office, the bill as soon as it is posted becomes the property of the endorsee.

Here, it is true, there was not in form or in so many words,

authority from the endorsee to send the endorsed cheque by post, but the sender was the treasurer of the virtual endorsee and he gave his instructions to the bank as such treasurer.

The money was raised (this very cheque obtained) by him for the purpose of making good moneys belonging to the township which he had wrongly taken or misapplied. The cheque was endorsed by Kaufman no doubt with the intention of passing the property in it, and was mailed by him as before stated.

Taking these circumstances into consideration, and looking at the clear and strong language of the Act, R.S.C. ch. 35, sec. 43, before referred to, I arrive at the opinion that Kaufman had not, at the time of or immediately before making the assignment to the plaintiff, the right that was contended he had, and that such alleged right could not have passed to the plaintiff by the assignment.

As to the alleged fraudulent preference contended for, I am treating this cheque (which was not the cheque of Kaufman himself) as being a security for money, and not money. This, I think, I am bound to do by the case of *Davidson v. Fraser*,[1] although that case was not (in respect to the character of the cheques) precisely like the present case. As I understand the case, however, I think enough appears to bind me as above.

The duties of Kaufman as treasurer of the township were to receive and safely keep all moneys belonging to the corporation, and to pay out the same to such persons, and in such manner, as the laws of the Province and the lawful by-laws or resolutions of the council of the municipal corporation should direct: 55 Vict. ch. 42, sec. 250 (O.), which is the same as the former enactment on the subject; the condition of the bond given by Kaufman and his sureties adds the words "and duly account for and pay over all moneys which may come into his hands by virtue of his office."

He was entrusted with the moneys of the corporation, he had defined duties to perform, and for the performance of these he had given security. I cannot discover any reason for saying that he was not a trustee, and I think it manifest that he was a trustee for the benefit of the township.

Then, being such trustee, he had misappropriated a part of the trust moneys, and being so in default, and, as I think, criminally liable in respect of the default, he made this effort to restore and replace the moneys that he had so wrongly taken or misappropriated.

In the case of *Molsons Bank v. Halter* the learned Chief Justice says: "The question we have to determine is, in the abstract, whether a conveyance or mortgage by a defaulting

[1] See JOURNAL, Vol. IV., p. 114.

trustee to his co-trustees, made when the defaulter is in a state of insolvency, with the object and intent of making good to the trust estate moneys which he has abstracted from the trust fund and appropriated to his own use, is to be considered a preference of one creditor to another, or as having the effect of such a preference within this second section. Again concurring with the learned Judges who formed the majority in the Court of Appeal, I am of opinion that the answer to this must be in the negative, for the reason that the persons for whose benefit the security was given were not creditors within the meaning of this section of the statute, but have rights higher than those of creditors."

The learned Chief Justice refers to several English authorities which he says are precisely in point, deciding that the doctrine of fraudulent preference has no application to such a state of facts as the evidence before him disclosed, and in some of these it is broadly laid down that in such cases the relationship is not that of debtor and creditor at all, but the relationship of trustee and *cestui que trust*.

If, then, I am right in thinking that Kaufman was a trustee, and that the relationship of trustee and *cestui que trust* is the one that existed between Kaufman and the corporation of the township, the reasoning of the learned Chief Justice is of direct application here, although it may be said that the case before him was not, in all respects, precisely like the present case, and the doctrine of fraudulent preference not having, as I think I am bound to say that it has not, any application to the case, then the fact that the assignment was made within the sixty days mentioned in the amending Act, does not make any difference one way or the other

On the whole case, after the best consideration I have been able to give the subject, I do not see how the plaintiff can succeed in his contentions, and I am of the opinion that the action fails. The action should, as I think, be dismissed, and it is dismissed with costs.

The appeal from this decision was argued before Burton, C. J. O., Osler and Maclennan JJ. A., and dismissed. We quote from the judgment of Burton, C. J. O.:

The question of whether there has been a fraudulent preference depends, as has been frequently said, not upon the mere fact that there has been a preference, but also on the state of mind of the person who made it, and the tribunal adjudicating upon the matter must find out what he really did intend.

It is clear, I think, upon the evidence here, that the money was borrowed and transferred, not from any particular regard that the debtor had for the parties whose moneys he had mis-

appropriated, but for his own benefit in order to shield himself from the consequences of a breach of trust. The learned Judge has found that that was his motive and I do not think that an appellate court could interfere with such a finding unless it was manifestly erroneous.

But it is contended that the money deposited with the Bank of Commerce, at London, at the time of the making of the assignment, belonged to Kaufman and therefore passed to the assignee.

It may be conceded that where a debtor, for his own convenience or for any other motive, delivers money to another person to be paid to his creditor in discharge of his debt, until the money is actually paid over or the assent of the creditor to such disposition of it has been given, the debtor may appropriate it to any other purpose; but it appears to me that this case is very different.

The marking of the cheque by the bank was to enable the holder to use it as money, and was a clear intimation that funds had been set apart for its payment to the holder. This equivalent for so much money is acknowledged by Kaufman to belong to the township and is remitted by him to the bank, not as his agent, and to await further instructions—for he had no account at the bank—but treating them as the bankers of the township, and it appears to me that no actual credit in their books was essential; and the failure of the bank so to credit it would not deprive the township of its right to the amount of the cheque.

The money was so received by the bank before the assignment, and was so received by them with notice that it belonged to the township, and was to be placed to their credit, and it would seem to be clear that it was not the intention of the debtor to reserve to himself any right or power to undo what he was doing, and that he intended that it should be irrevocable, and that having admitted the money to be the money of the township, any attempt on his part, individually, to revoke the instructions given would be futile, and having parted with any control over the money before the assignment, the execution of that document could not vest the property in the assignee nor revoke the disposition which had already become complete by the receipt of the money by the bankers on behalf of their customers.

High Court of Justice, Ontario

Rielle et al v. Reid et al

A merchant in insolvent circumstances formed a joint stock company, he and his wife subscribing for all the stock, except a few shares, which were allotted to employees of his, these forming the five directors. They, then, as directors and shareholders, appointed him manager for five years at a salary, and all his assets were assigned to the company :—

Held, that the company was the mere alias and agent of the assignor, and the assignment a fraud on his creditors, and must be set aside, subject, however, to the rights of the creditors of the company.

Salomon v. Salomon,[2] distinguished.

This was an action brought by the executors of the last will of Thomas McLerie Thomson, late of Toronto, who died on September 20th, 1889, against John Bailey Reid, Minnie Reid his wife, and The Reid Company of Toronto, Limited, claiming on behalf of themselves and all other creditors of John Bailey Reid, that the Reid Company of Toronto be declared to be merely an alias or trustee of John Bailey Reid, and that its assets be declared to be liable for the payment of his debts; that all the transfers, grants, conveyances, or declarations of trust at any time made to or in favour of such company by the said John Bailey Reid, be set aside and be declared to be fraudulent and void as against his creditors; that in the event of the claims of the plaintiffs and other creditors not being paid forthwith, that the said company be wound up by the Court under the provisions of the Winding-up Act; that a receiver be appointed of the estates, rights and credits of both John Bailey Reid and the said company; and that an injunction issue against both of the said defendants to restrain them, their servants and agents, from any dealings with their property to the prejudice of the plaintiffs or any other creditors of him the said John Bailey Reid, whether by simple contract, specialty, judgment, or otherwise, howsoever; that the defendant Minnie Reid be declared a trustee for the defendant John Bailey Reid of all such share or interest as she now holds in the said company, by virtue of the shares in the said company standing in her name; and for all proper directions and further relief.

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[1] *Ontario Reports.*

[2] See Journal, Vol. IV, p. 213.

The action was tried at Toronto, before Falconbridge, J., in October, 1896, and March, 1897. The facts as proved in the evidence are fully stated in his lordship's judgment as follows:

I find on the evidence that J. B. Reid* was in 1894 largely indebted to the plaintiffs and others, principally the outcome of land transactions of a speculative character; that he was fully alive to the situation, which was serious, and in fact desperate, unless some very quick and unexpected turn should take place with reference to the values of property in the districts in which he was interested. In August, 1894, the evidence shows that the margin in the properties had dwindled down to a point not appreciably distant from zero. For four years under his own management, the properties had not seemed to be capable of carrying themselves. There were heavy taxes both local and general as regards properties of this description; and in this and similar localities, there was no immediate prospect of improvement in prices or rentals. The situation had been aptly described by Messrs. McMurrich & Co., in their letter of December 6th, 1893, when they say, . . "The properties are not realizing nearly enough to pay the interest and taxes, so that the mortgagees will be losing money by taking possession of it. We have been carrying it so far in hopes of improvement."

I do not see the force of the verbal evidence, and the argument thereon based, that the estate of George Reid, Jr., was to indemnify J. B. Reid against certain of these mortgages. That does not seem to be the effect of the writings, and at any rate there was no security for such indemnity except the mortgaged property itself; but J. B. Reid covenants to indemnify his brother's estate as to properties which are conveyed to him.

Therefore, at the time of the formation of the company, the business was all he had with which to pay his debts, and he had nothing but the business property to protect except some money and personal notes which he says he had in the safe.

About this time he had a conversation with Mr. Strathy, the manager of the bank with which he was then doing business. J. B. Reid told Strathy he was taking action to form a company. Strathy asked the object, and Reid said to get over the difficulty which might arise in connection with his personal covenants on mortgages given by him and George; that he

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* J. B. Reid carried on business as a lumber merchant, and the Reid Company of Toronto was incorporated under the Ontario Joint Stock Companies Act, for the purpose of trading in lumber, timber, coal, wood, etc. On September 1st, 1894, J. B. Reid conveyed to the company all his stock-in trade, book-debts, good-will of his business, his business premises, and all other his real and personal estate.

wished to place himself in a position to avoid payment of them. The company was formed a short time after this conversation took place.

I have no hesitation in accepting Mr. Strathy's version of this conversation as being in substance true, and as throwing a side light on the whole transaction.

Mr. J. B. Reid denies Mr. Strathy's statement only in very faint and general terms. He thinks Mr. Strathy has misconstrued what he (Reid) said, or is terribly mistaken, but his own account of what he said, viz., that he had been so worried and bothered in connection with his brother's estate . . owing to mortgages on real estate . . "that I did not want people coming after me to have the same trouble," is not very lucid or satisfactory.

The facts of the case, therefore, present no difficulty.

. . . As I understand their position, the plaintiffs do not set up a case of preference but the intent to defeat, delay, etc., and it seems to me that the elaborate argument of defendants' counsel as to the difference between the Statutes of Elizabeth and the R. S. O. ch. 124, does not apply: 35 Vict. ch. 11, now R. S. O. ch. 96, section 5.

If it was necessary to prove the intent of J. B. Reid, that has been fully proved by the circumstances, and by the weak denial of J. B. Reid against the positive affirmation of Mr. Strathy.

As regards Mr. J. B. Reid and the defendant company, the facts appeared to me to be so clear at the trial that I reserved judgment only for the purpose of considering Mr. McCarthy's strenuous and ingenious argument as to the effect of recent English decisions which he contended stood effectually in the way of the plaintiffs' recovery.

For as to the facts there was but one conclusion. The situation being as I have above stated, J. B. Reid proceeds to form his company. No outside assistance is invoked, no foreign capital invited. The husband and wife own all the stock but three shares, one of which is allotted to Mr. Loughead, book-keeper of J. B. Reid, another to Mr. Cherry, erstwhile yard foreman, and another to a solicitor of the former firm. They were all five directors.

On September 7th, 1894, at a meeting of directors, it was moved by Mrs. Reid, seconded by Mr. Cherry, and carried, that Mr. Reid be engaged as manager of the company for five years at a salary of $2,000, payable weekly on his giving security, etc. . .

And at a meeting of the same five shareholders held on the same day, this arrangement for Mr. Reid's engagement was solemnly confirmed.

At a meeting of directors held September 14th, 1894, by-laws were enacted, a call of 10% was made, the salary of Mr. Reid, the manager, was increased from $2,000 to $3,000 a year and a re-arrangement or manipulation of the stock was made.

At a meeting of shareholders held September 20th, 1894, there were confirmation and approval of all resolutions and transactions of the directors up to date except that on motion of Mrs. Reid, seconded by Mr. Cherry, Mr. Reid was not required in the security he was to give the company to include therein the shares held by Mrs. Reid "as she holds those shares in her own right and objects to put them in as such security."

So that J. B. Reid goes on managing the concern as before the incorporation, he is assured $3,000 a year, and the property, should the transaction be upheld, is effectually placed beyond the reach of creditors.

In re Carey, Ex parte Jeffreys,* seems to be quite in point, but Mr. McCarthy contended that this case was reversed in the judgment of the House of Lords in *Salomon v. Salomon.* I do not think it touches it. In the latter case a solvent trader sold a solvent business to a limited company consisting of the vendor and six members of his family. The company became insolvent and went into liquidation and creditors sought to make the vendor liable. *In re Carey* is not referred to in the arguments or judgments.

In the present case the company was and is the mere alias and agent of J. B. Reid, and there was fraud on creditors both of which propositions are negatived in *Salomon v. Salomon.*

As to the stock held by Mrs. Reid, notwithstanding the many suspicious circumstances attendant on the manipulation of the life policies, yet I conceive it to have been out of J. B. Reid's hands and now out of my power to interfere with the declaration in favour of his wife made by J. B. Reid, even though the endorsement evidencing the same may not have been made on the day it bears date. She will be, however, held to her counsel's offer to transfer her shares for $2,000 if plaintiffs so elect.

There will be judgment for the plaintiffs, declaring that the defendant company is the agent of defendant J. B. Reid, and that the several conveyances and transfers made by defendant J. B. Reid to defendant company of defendant J. B. Reid's freehold and leasehold estates and of his business assets, goods, chattels, book-debts, stock-in-trade, lumber, shingles, office furniture, plant and fixtures, and other property and effects, are as against the plaintiffs and the other creditors of

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*See JOURNAL, Vol. III, p. 124.

the defendant J. B. Reid, fraudulent and void, and that the assets of the defendant company are part of the general assets of the defendant J. B. Reid, and are liable to be applied towards satisfaction of his debts, subject, however, to the rights of the creditors of the company, and that the said conveyances and transfers be set aside so far as necessary to give effect to the above declaration; and for the appointment of a receiver with the directions usual in cases of this nature as to the duties of the receiver and as to the proceedings to be taken for proof of creditors' claims and realization of the property in default of payment, with full costs of suit to plaintiffs including costs of all the examinations for discovery.

The receiver to be appointed shall deal with both classes of creditors as the law directs.

High Court of Justice, Ontario

Conn v. Smith et al

The plaintiff, a creditor of an insolvent, alleged that in regard to certain pledges made by the latter to a bank, there had been no contemporaneous advances, and that the pledges were invalid under section 75 of the Bank Act, and claimed to be entitled to obtain moneys received through disposal of the pledges and to apply them in payment of creditors' claims, by virtue of the provisions of section 1 of 58 Vict., ch. 23 (O.).

Held, that the provisions of the last named Act upon which the plaintiff relied should be treated as limited to transactions invalid against creditors as such, and not as extending to transactions declared invalid for reasons other than those designed to protect creditors.

The insolvent had been in the habit of buying hops from time to time, and giving the bank pledges of the same for the purpose of raising money to pay for them. Then, at the request of the bank, he constituted his bookkeeper his warehouseman, and the latter issued warehouse receipts to the bank in substitution for the pledges theretofore held, there being no further advance made when the new securities were given:—

Held, that this exchange of securities should be treated as authorized under sub-sec. 2 of section 75 of the Bank Act.

This was an action by a simple contract creditor of the defendant Smith to recover judgment for a debt, and on behalf of all creditors of Smith to recover from the defendants, the Merchants Bank of Canada, certain moneys and property of the defendant Smith alleged to have come to their hands by means of breaches of the Bank Act. The facts are stated in the judgment.

The action was tried before Street, J., without a jury, at Brockville, in November, 1897. We quote the judgment as far as it relates to points of law of interest to our readers :—

STREET, J.—In all, thirteen transactions between the bank and Smith are attacked by the pleadings and particulars delivered in the action, besides a small item of interest which was not gone into. Eleven out of these thirteen transactions related to pledges of hay and grain made by the defendant Smith to the bank, in or prior to the year 1893, to secure advances made by the bank to him. It was alleged by the plaintiff that there had in these transactions been no contemporaneous advance, and that the pledge, whether in the form of a bill of lading or a warehouse receipt or a direct pledge, was invalid under the 75th section of the Bank Act, 53 Vict. ch. 31 (D.). It was not disputed that the bank had long prior to the commencement of this action disposed of the hay and grain pledged to them, and had received the proceeds, and had applied them as received in satisfying moneys advanced to the defendant Smith, and maturing from day to day. The greater part if not the whole, of these moneys was so received by the bank during the course of constant daily transactions with the defendant Smith, who carried on a large business in buying and selling produce, and taken into account in daily or other frequent settlements with him.

The plaintiff claimed, as one of the creditors of Smith, who had ceased before the commencement of this action to meet his liabilities, to be entitled to obtain the moneys so received by the bank, and to apply them in payment of creditors' claims under section 1 of ch. 23 of the Ontario Statutes of 1895, entitled " An Act to make further provision respecting Assignments for the Benefit of Creditors, which is as follows :—

" In case of a gift, conveyance, assignment, or transfer of " any property, real or personal, which in law is invalid against " creditors, if the person to whom the gift * * was made " shall have sold or disposed of the property or any part " thereof, the money or other proceeds realized therefor by such " person may be seized or received in any action by a person " who would be entitled to seize and recover the property if it " had remained in the possession or control of the debtor or of " the person to whom the gift * * was made, and such right " to seize and recover shall belong, not only to an assignee for " the general benefit of the creditors of the said debtor, but " shall exist in favor of all creditors of such debtor, in case there " is no such assignment."

It appears to me to be unnecessary to enquire whether the

defendant Smith was or was not insolvent at the time of these transactions, because it is plain that there was sufficient pressure used by the bank (supposing the plaintiff's view of their nature to be correct) to exclude the intent of a fraudulent preference. They were, therefore, not "invalid against creditors" by virtue of anything contained in the Act respecting assignments and preferences by insolvent persons, ch. 124, R.S.O., or in any Act *in pari materiâ*.

In interpreting the clause of ch. 23 of the Ontario Act of 1895, above quoted, regard must be had to the context and to the specific objects of the legislation of which it forms part. These are the prevention of frauds upon creditors and the prevention of unjust preferences of one creditor over another by insolvent persons. Transfers of property under certain circumstances are by these enactments declared invalid against creditors, and by the section of the Act of 1895, above quoted, where the property transferred has been sold by the transferee so that it cannot be seized in specie, an action to obtain from him the proceeds is given to the creditors of the transferor.

The provisions of these Acts, it will be observed, are directed against the acts of persons in insolvent circumstances who may be endeavoring to prevent the proper and equal distribution of their assets amongst their creditors. The plaintiff, however, seeks to treat the section of the Act of 1895 as applicable to transfers of property which are invalid or voidable for reasons in which the rights of creditors as such are not in any degree involved. If the eleven transactions between the bank and the defendant Smith were invalid, it is not because they interfered with the rights of creditors, but because they were contrary to the limitations imposed by Parliament upon the banks in their dealings with personal property. The considerations applicable to money received in the course of such transactions as these, seem very different from those applicable to money received by means of the transfers declared void as against creditors; and where the effect of giving to the Act of 1895 the extended application contended for by the plaintiff would be so far reaching, I think the safe course is to treat the words "invalid against creditors" as limited to transactions invalid against creditors *quâ* creditors, and not as extending to transactions declared invalid for reasons other than those designed to protect creditors.

I do not desire to be understood as determining the question as to the right of the bank to have held these goods against any and every person. In the view I have taken of the other objections to the plaintiff's right to recover, it becomes unnecessary to do so.

A different state of facts is disclosed by the evidence bearing upon the claim of the plaintiff to a quantity of hops still remaining unsold, which were held for the bank in a warehouse under a receipt given by one Hiscox, the lessee of the warehouse. The defendant Smith says that he was in the habit of buying hops from time to time and giving the bank his own direct pledges for the purpose of raising money to pay for them. Then, at the request of the bank, he constituted his book-keeper, Hiscox, his warehouseman, and Hiscox issued warehouse receipts to the bank in substitution for the securities or pledges theretofore held by the bank, there being no further advance made when the new securities were given. The 2nd sub-section of the 75th section of the Bank Act, enables the bank on receipt of the goods, to store them and take a warehouse receipt for them without forfeiting any existing right, and I think this exchange of securities may be treated as being authorized under that sub-section.

High Court of Justice, Ontario

Bell v. The Ottawa Trust and Deposit Company

A partner who has individually joined as a maker in a promissory note of his firm for their accommodation is not "indirectly or secondarily liable" for the firm to the holder within the meaning of 59 Vict. ch. 22, sec. 1, sub-sec. 1, but is primarily liable, and in claiming against his insolvent estate in administration the holder need not value his security in respect to the firm's liability.

This was an appeal from the certificate of the Master at Ottawa, made in the course of the administration by the Court of the estate of Peter McRae, deceased. The Ottawa Trust and Deposit Company were the administrators of the estate.

The appeal was argued before MacMahon, J., at Ottawa in June, 1897, and the facts of the case are fully stated in his lordship's judgment following:

MacMahon, J.:—This is an appeal by the Union Bank of Canada from the certificate of the Master at Ottawa, finding that the security held by the bank for their claim filed against the estate of Peter McRae, is on the estate of a third person for whom the estate of the said Peter McRae is only indirectly, or secondarily liable, and that it must, therefore, be valued as provided by the statute.

The bank filed against Peter McRae's estate on two promissory notes as follows :—

Ottawa, February 24th, 1896.

"On demand we jointly and severally promise to pay to the order of the Union Bank of Canada at their office in Ottawa, the sum of thirty thousand two hundred and seven $\frac{44}{100}$ dollars for value received.

"(Signed) McRae Bros. & Co.
"P. McRae.
"H. McRae."

"$30,000.00. Ottawa, May 1st, 1896.

"On demand we jointly and severally promise to pay to the Union Bank of Canada or order, at their office in Ottawa, the sum of thirty thousand dollars for value received.

"(Signed) F. W. Powell.
"Hector McRae.
"P. McRae.
"H. McRae, } Executors estate late
"P. McRae, } John Nicholson.
McRae Bros. & Co."

Certain timber limits, the property of the firm of McRae Bros. & Co., were assigned by them to the bank as collateral security for the payment of certain promissory notes and any renewals or part renewals thereof. The above are renewals, or renewals in part, of such notes.

The learned local Master in the well-considered reasons for his judgment, finds as to a note dated the 29th January, 1892, for $42,000 (of which one of the above is a part renewal), that it was made in order to raise money from the bank, with which to meet notes originally given for the purchase price of the limits now in question, and to pay current expenses in connection with the lumber business of McRae Bros. & Co.

I do not stop to consider if this is, on the evidence, a proper finding, for, granting that it is so, I think it cannot affect the question arising on this appeal.

Peter McRae, when he individually signed the notes in question as one of the makers thereof, was a member of the firm of McRae Bros. & Co. And it was not questioned that, as to the estate of Peter McRae, the firm of McRae Bros. & Co., were third parties.

There is a deficiency of assets in the estate of Peter McRae to meet the claims of creditors, and the Act respecting the estates of insolvent deceased persons, 59 Vict. ch. 22, sec. 1, sub-sec. 1, provides: "On the administration of the estate of a deceased person, in case of a deficiency of assets, every creditor in proving his claim shall state whether he holds any security for his claim or any part thereof, and shall give full particulars of the same, and if such security is on the estate of the deceased

debtor, or on the estate of a third party for whom the estate of the deceased debtor is only indirectly or secondarily liable, the creditor so proving his claim shall put a specified value on such security," etc.

It has been found that as between the individual partners and the firm of McRae Bros. & Co., of which Peter McRae was a member, that he was an accommodation maker of the notes, and on that ground the learned Master held that the estate of Peter McRae "is only indirectly or secondarily liable," and consequently the bank must value its security before ranking on the estate of the deceased. It has been by only regarding the position, rights, and liabilities of the makers of the notes *inter se* that the confusion has arisen.

Peter McRae, as a maker to the promissory notes, became directly and primarily liable thereon to the bank. "The implied contract of a maker of a note is that he will duly pay it on its being presented to him; and he is *primarily liable* thereon and stands in that respect in the same situation as the acceptor of a bill:" Chitty on Bills, per Lord Mansfield, C. J. in *Heylyn v. Adamson*. "The maker or signer of a promissory note by signing and delivering it, becomes at once under an absolute obligation to pay it according to its tenour, to any holder to whom it may be due at maturity; and such holder must look *to the maker in the first place* and demand it of him in the manner prescribed by law, before he can look to any other party:" Parsons on Notes and Bills. We have already seen that the maker of a note and the acceptor of a bill have nearly the same rights and duties. Both are the *principal debtors* to be called on before any other parties can be made liable": *ibid.* "The position of the maker of a note is similar in most respects to that of the unconditional acceptor of a bill. He is the *primary debtor*, the endorsers being only secondarily liable until after dishonour and notice:" Maclaren on Bills.

Peter McRae could not be directly or primarily liable, and also "indirectly or secondarily liable" to the Union Bank as a maker of the notes, and it is only where the estate is indirectly or secondarily liable *to the creditor*, that the creditor is compelled to value a security held by him on the estate of a third party.

Had Peter McRae, instead of being one of the makers of the notes in question, given a guarantee to the bank for the payment of the indebtedness of McRae Bros. & Co., his estate would then have been secondarily liable to the bank, which before ranking, must have valued any security obtained from McRae Bros. & Co. Where, however, the creditor is claiming on negotiable instruments—bills of exchange or promissory notes—legislative interpretation has been given to

the term "indirectly or secondarily liable," as meaning an endorser or guarantor thereon, because the second sub-section of section 1 provides that: "If the claim of the creditor is based upon negotiable instruments upon which the estate of the deceased debtor is only indirectly or secondarily liable, and which are not mature or exigible, the creditor shall be considered to hold security within the meaning of this section, and shall put a value on the liability of the party primarily liable thereon as being his security for the payment thereof, but after the maturity of such liability and its non-payment, he shall be entitled to amend and revalue his claim."

Peter McRae, as maker of the notes, being primarily liable to the creditor thereon, his estate does not come within the Act as being indirectly or secondarily liable, and the bank is, therefore, not obliged to value the securities held by it when filing its claim against the estate.

The appeal must be allowed, with costs out of the estate.

UNREVISED TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Six months ending December—	1896-7		1897-8	
Free	$21,634		$25,619	
Dutiable	31,990		34,350	
	$53,624		$59,969	
Bullion and Coin	4,478	$58,102	2,732	$62,701
Month of January—				
Free	$ 2,637		$ 3,722	
Dutiable	4,801		6,088	
	$7,438		$9,810	
Bullion and Coin	28	$ 7,466	77	$ 9,887
		$ 65,568		$ 72,588

EXPORTS

Six months ending December—				
Products of the mine	$ 5,146		$ 7,524	
" Fisheries	7,066		7,003	
" Forest	18,623		19,320	
Animals and their produce	25,231		31,067	
Agricultural produce	8,960		19,544	
Manufactures	4,783		5,248	
Miscellaneous	100		72	
	$ 69,911		$ 89,779	
Bullion and Coin	3,212	$ 73,123	987	$ 90,766
Month of January—				
Products of the mine	$ 1,145		$ 1,621	
" Fisheries	406		523	
" Forest	588		440	
Animals and their produce	2,478		2,527	
Agricultural produce	939		3,533	
Manufactures	532		856	
Miscellaneous	8		13	
	$ 6,098		$ 9,513	
Bullion and Coin	50	$ 6,148	849	$10,362
		$79,271		$101,128

SUMMARY (in dollars)

Total imports for seven months, other than bullion and coin	$61,062,000	$69,779,000
Total exports for seven months, other than bullion and coin	76,009,000	99,292,000
Excess of exports	$14,947,000	$29,513,000
Net imports of bullion and coin	1,244,000	972,000

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

LIABILITIES

	30th Nov., 1897	31st Dec., 1897	31st Jan., 1898	28th Feb., 1898	28th Feb., 1897
Capital authorized	$ 73,258,684	$ 73,758,684	$ 74,258,684	$ 74,258,684	$ 73,458,685
Capital paid up	62,288,636	62,289,326	62,292,614	62,294,922	61,831,391
Reserve Fund	27,283,999	27,515,999	27,580,939	27,580,999	26,728,799
Notes in circulation	$ 40,143,878	$ 37,995,123	$ 35,011,722	$ 35,823,923	$ 30,409,197
Dominion and Provincial Government deposits	6,232,184	7,386,908	7,437,798	6,819,130	6,081,085
Public deposits on demand	80,402,878	81,881,687	79,195,911	78,939,572	65,097,602
Public deposits after notice	139,528,801	140,120,460	140,704,038	140,799,375	126,937,852
Bank loans or deposits from other banks secured	11,000	2,000	.....	.....	117,654
Bank loans or deposits from other banks unsecured	3,581,511	3,127,781	3,300,764	2,821,895	2,587,137
Due other banks in Canada in daily exchanges	124,208	331,631	196,982	185,007	77,003
Due other banks in foreign countries	305,737	340,136	376,143	509,585	355,138
Due other banks in Great Britain	575,030	656,266	1,058,837	2,067,557	2,489,107
Other liabilities	997,621	534,006	551,358	731,345	438,251
Total liabilities	271,902,920	272,376,076	$267,833,734	$268,697,468	$234,588,105

ASSETS

Specie	8,757,736	8,268,023	$8,498,424	$ 8,619,198	$ 8,246,676
Dominion notes	17,437,778	17,726,048	16,422,086	14,873,224	15,768,201
Deposits to secure note circulation	1,883,067	1,883,067	1,883,067	1,883 067	1,846,218
Notes and cheques of other banks	9,526,045	11,826,314	9,168,922	9,775,768	5,473,393
Loans to other banks secured	11,000	2,000	.....	.....	195,483
Deposits made with other banks	4,914,564	4,321,539	4,485,359	3,918,650	3,120,378
Due from other banks in Canada in daily exchanges	192,422	268,524	165,406	319,781	119,679
Due from other banks in foreign countries	28,410,443	23,547,288	23,015,439	20,793,570	16,608,157
Due from other banks in Great Britain	16.579,039	15,519,940	15,101,061	12,109,646	9.146,840
Dominion Government debentures or stock	3,662,532	4,731,099	4,572,955	4,800,686	2 794.416
Public municipal and railway securities	29,778,402	30,743,200	30,577,381	32,819,699	23,043,562
Call loans on bonds and stocks	18,930,378	19,859,822	20,001,729	21,497,983	13,764,862
Current loans and discounts	205,723 909	205,931,017	207,532,321	211,659,749	208,732,374
Loans to Dominion and Provincial Governments	1,470,955	1,820,403	1,086,965	1,264,404	386,023
Overdue debts	3,391,838	3,238,285	3,230,417	3,232,918	3,697,930
Real estate	2,045,435	2,093,188	2,143,100	2,153,466	2,022,991
Mortgages on real estate sold	580,863	560,663	558,085	581,283	472,413
Bank premises	5,696,742	5,697,933	5,746,375	5,751,886	5,646,185
Other assets	2,139,633	2,093,550	1,708,421	1,520,786	2,217,616
Total assets	361,132,969	360,133 088	355,897,624	357,575,974	$323,303,595
Loans to directors or their firms	$7,562,652	$7,689,989	$7,712,397	$ 7,581,920	$ 7,912,382
Average amount of specie held during the month	8,729,054	8,546,677	8,305 202	8,618,517	8,475,155
Average Dominion notes held during the month	17,033,825	17,530,208	16,590,821	15,592,966	15,730,996
Greatest amount of notes in circulation during month	42,303,141	40,309,118	37,575,524	36,099,032	30,974,636

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	
	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8
	$	$	$	$	$	$	$	$	$	$	$	$
March ...	36,643	40,654	26,087	26,673	4,357	5,215	2,516	2,799	4,286	4,289		2,144
April	37,589	45,092	26,111	28,236	4,790	5,077	2,729	2,900	4,032	4,161		2,314
May	44,324	46,600	27,796	29,059	5,064	5,270	2,733	2,655	4,246	5,014	2,413	2,430
June	43,129	54,616	28,384	29,842	4,550	4,792	2,775	2,544	4,094	5,531	2,418	2,566
July.....	44,796	52,831	30,494	33,892	5,467	6,308	2,847	2,638	4,961	5,616	2,879	3,116
August ..	41,574	49,240	25,128	29,640	5,556	5,554	2,367	2,442	4,646	6,298	2,602	2,874
September	44,763	55,080	24,870	32,466	5,036	5,164	2,829	2,971	4,630	8,035	2,283	2,620
October ..	48,999	59,340	29,242	35,736	5,387	5 817	3,131	2,970	7,585	13,291	2,292	2,464
November	50,215	59,166	29,129	34,211	5,063	5,580	2,856	2,878	8,895	13,550	2,362	2,442
December	51,033	56,509	33,146	35,986	5,547	5,386	3,051	3,094	7,736	9,784	2,566	2,738
January ..	43,577	60,334	31,117	37,836	5,135	5,009	2,863	3,028	5,009	6,347	2,200	2,417
February .	38,480	62,332	24,592	33,414	4,208	4,446	2,591	2,663	3,851	5,517	2,016	2,022
	525,122	580,158	336,096	386,990	60,160	63,618	33,288	33,582	63,971	87,433	24,031	30,147

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JOURNAL

OF THE

CANADIAN BANKERS'

ERRATUM

Vol. V., p. 46—Alter the 6th and 5th lines from the foot of page, to read

banking system of the State of New York, from which also the National Bank system of the United States was largely copied.

Only to a very slight degree and after much entreaty on the

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*Chief sources:—

Canadian Archives, Correspondance Générale, Vols. VII.-XLIII.

"Documents relating to the Colonial History of the State of New York," Vol. IX.

"Collection de Manuscrits Contenant Lettres, Mémoires, et Autres Documents Historiques Relatifs à la Nouvelle-France," Vols. I.-III.

"Edits, Ordonnances Royaux, Declarations et Arrets du Conseil D'Etat du Roi, Concernant le Canada."

"Jugements et Délibérations du Conseil Souverain de la Nouvelle-France," Vols. III.-VI.

"Histoire Monétaire des Colonies Francaises, d'apres les Documents Officiels." Par. E. Zay.

part of the Canadian merchants and officials, was it adapted to currency needs, and then only through a financial channel. It is very necessary to keep this in mind, as it will serve to explain many of the anomalous monetary situations which resulted from the use of the card money. To regard its issue from the point of view of a currency expedient would indicate a degree of stupidity on the part of the French officials, with reference to the nature and functions of money, with which they are by no means to be charged.

In order to account for the introduction of the first card money in Canada, and to indicate its function, it is necessary to outline the condition of the colony just before 1685.

The greater part of that portion of the Canadian revenue which was obtained from the colony itself, was derived from the export tax of one-fourth on the beaver and one-tenth on the moose skins, and an import duty of ten per cent. on certain goods, chiefly wine and brandy. But for some time previous to 1685 the beaver trade had been diminishing. This was due to several causes. The largest quantity and best quality of beaver came from the North-West, and the Ottawa tribe of Indians furnished the middlemen who gathered the furs from the western Indians and sold them to the French. The coureurs des bois, however, carried on a large illicit trade in the same direction. As more stringent efforts were made to suppress their trade, they naturally abandoned Canadian markets and carried their furs to the English, whereby they not only avoided the danger of arrest but received better prices for their furs and escaped the tax of one-fourth on the beaver.

The development of the English trade in Hudson's Bay at this time, also drew off an increasing quantity of North-West beaver which usually went to the French. Finally, the growing hostility of the Iroquois, encouraged by the English colonies, manifested itself most actively at first in attacks upon the Indian allies of the French, among them the Ottawas. All these conditions combined, tended to cut in upon the two main sources of revenue from the colony, the export tax on the beaver and the import tax on the goods brought in to exchange for it. The beaver from Canada fell from 95,489 lbs. in 1783 to 23,568 lbs. in 1785.

The Iroquois becoming more threatening, Governor De la Barre requested more troops from France and called out the local forces. With the latter, in 1684, he undertook an expedition to Lake Ontario, which, however, resulted very unfavorably for the colony. The Iroquois were convinced of the weakness of the French power in Canada, the expenses of the colony were greatly increased, and a rupture resulted with the farmers of the revenue who refused, the following year, to contribute the usual amount of funds for the government. In consequence of this combination of circumstances, the Intendant Demeulles found himself running short of funds to meet the increasing expenses, especially for the pay of the troops.

The supplies for Canada, at this time, were provided in France in the early part of each year for that year only, but did not usually reach Canada till late in the summer. The consequence was that when the stores ran out there was nothing at the command of the Intendant with which to meet the expenses of the first six months of the following year. This did not present special difficulties where the chief payments were to be made to merchants or others who could wait a few months for their money. But, with a considerable military force, the pay of the soldiers had to be provided regularly.

Such were the circumstances in which Demeulles found himself in 1685. His supplies were exhausted, he had neither cash on hand nor stores to sell, yet the soldiers were clamoring for their pay and complaining of the conditions under which they were called out.

In the following letter, dated 24th September, 1685, he describes his situation and the device by which he managed to tide over the difficulty.

"I have found myself this year in very great straits with reference to the supplies for the soldiers. You did not, my lord, provide funds beyond the first of January last. I made every effort to support them for the whole eight months till September. I drew from my own purse and from those of my friends all that was possible. But at last, seeing it impossible for them to render me any further service, and not knowing to which saint to make my vows, money being very scarce, having distributed very considerable sums on all sides for the pay of

the troops, it occurred to me to put in circulation in place of coin certain notes made of cards cut in four. I send you, my lord, samples of the three kinds, one being for four franks, another for forty sols, and the third for fifteen sols, because with these three kinds I was able to make the soldiers monthly pay. I issued an ordinance requiring all the inhabitants to accept this money in payments and to give it currency. Having pledged my word to redeem the notes no one refused them, and the issue had so good an effect that by this means the troops have lived as usual. There were some merchants who offered me cash, in money of the country, on condition that I should pay them back in money of France, to which however I would not consent, because, in so doing, the King would have lost one third. That is to say, for 10,000 écus he would have paid 40,000 l. Thus, by means of my credit and management I have saved His Majesty 13,000 l."

There are one or two features in this letter worth noting. First, as already observed, the introduction of the card money was obviously not a currency expedient, but entirely a financial one. Secondly, it was not on account of the general expenses of the colony that it was found necessary to introduce the card money. It was due to the necessity of providing for the monthly payments to the soldiers, which could not be postponed. Again, the proposition of the merchants to lend money to the Intendant, on the terms stated, did not indicate a particularly exorbitant demand improvised for the occasion. It was the custom of the time, brought to Canada from France itself, to make large profits at the expense of the government. It was also a settled custom of the merchants of Canada to make advances to the Indian traders and others on the basis of the money of the country, to be repaid on the basis of the money of France. The proposal made to the Intendant differed from that custom only in being an accommodation in money instead of goods, and for a shorter period of time. Moreover, the device of borrowing money from the merchants and others in the colony, if not already practiced by the authorities, was to become a very common expedient with the colonial government, being adopted immediately after this, as we shall see.

The card money, thus issued, was evidently of a very

temporary, and indeed of a personal character. The Intendant states that he pledged, not the home nor the colonial government, but his own word for the redemption of the cards, and his last word is that he had saved the king money, not on the basis of the King's credit, but on the basis of his own.

In accordance with the promise made, the cards were evidently redeemed on the arrival of the funds for the year. As the King was sending out extra troops and supplies for an expedition against the Iroquois, there was no occasion for Demeulles to repeat his experiment the following year.

In October, 1686, Champigny arrived to succeed Demeulles as Intendant. He, too, had no occasion, the first year, to resort to any such devices to meet the necessary outlay of the government. In his first report on the financial condition of the colony, in 1687, Champigny, while showing that he still has some of last year's appropriation on hand, points out that the extraordinary expenses of the war are sure to require, before the arrival of the vessels the following year, more funds than he has on hand. Evidently wishing to avoid the difficulties of Demeulles, he concludes thus: "In consequence of these considerations, the Marquis de Denonville and myself have found ourselves obliged to order the agent of M. de Lubert (treasurer of the department of Marine) to borrow here the sum of 105,000 l. and to draw letters of exchange on the said Sr. de Lubert, not payable however till the month of May, in order that it may not embarrass him."

By "borrowing" the money before the departure of the vessels, he was able to obtain ready advances in return for bills of exchange payable six months after, because the bills enabled the merchants to purchase, in France, their goods for the coming season. His method was perfectly sound, and had the war not seriously interfered with the trade of the country, it might have been continued indefinitely, the letters of exchange being promptly paid.

But the trade of the colony depended almost entirely upon the western furs, and the fur trade was nearly annihilated by the war with the Iroquois and their other allies of the Five Nations. Thus the country was largely reduced to living on what the King

expended in it to carry on the war. Everything depended upon the prompt and adequate supply of funds from the French treasury.

In 1690 part of the supplies sent to Canada were lost in transit, and Champigny, finding himself in the same position as Demeulles, availed himself of the same expedient. But, since the colony was now so completely dependent on France, nothing that would not command supplies from France was of any avail. To pay the soldiers in card money was simply to increase the demand for goods without giving the merchants the means of purchasing them. The natural result was a rise in prices, and a special price for card money.

In 1691 the same difficulty occurred, and a new issue of card money was made, the issue of 1690 being paid off. In his report to the minister, dated 10th May 1691, Champigny thus describes the situation :

"Though Count de Frontenac and I have drawn, through M. de Lubert's clerk, last November, bills of exchange on France for 87,377 l., in order to have funds in this country, we could not meanwhile avoid making this year a new issue of the card money in order to meet all the expenses, as a portion of our funds, which consisted of ammunition, did not arrive last year, and we have redeemed the paper money issued in 1690. It is highly necessary, my lord, to adopt some other expedient, in order to have funds every year in this country to meet the expenses of the first five or six months of the one succeeding. If you will authorize the payment in France of bills of exchange to be drawn here when the last vessels sail, at two or three months sight, by M. de Lubert's clerk, means will be found to borrow to the amount of 50,000 écus in ready money. We pray you to consider it, my Lord, and to think of the wrong done the troops who purchase for much higher rates for paper money than for specie, and who experience, in addition, considerable difficulty in procuring necessaries."

Here we observe that the depreciation of the card money was plainly not due to any lack of faith in its redemption, for the only two issues yet made had been promptly and fully redeemed. The depreciation was due simply to the card money increasing, for the time, the amount of currency without corresponding increase in the goods to be purchased. Hence, as he

states, the soldiers not only have to pay more for their necessaries, but even find a difficulty in obtaining them. By selling exchanges, however, the currency of the colony was not increased, while means were at once given for the purchase of further supplies.

About midsummer a large addition was made to the military forces in the country by the arrival of further troops from France, giving much joy to the colonists, but adding correspondingly to the expenditure. Writing in October of the same year, Champigny, after giving an account of the increased outlay required, and the inadequacy of the funds sent out, says that Frontenac and he are very anxious not to be obliged to issue card money for the payment of the troops and for the other expenses of the country from the beginning of each year till the arrival of the vessels. To avoid this for the coming year, they had commanded the clerk of M. de Lubert to obtain from the merchants and traders of Canada, to the extent of 200,000 l. in cash, in return for letters of exchange on M. de Lubert, payable, in the month of May following, out of the funds set aside that year for the colony. He then explains that this will be a great convenience to the Canadian merchants who have now some difficulty in making their payments in France, as there has been but little beaver received this year, and the merchants are loath to trust their money on the sea, a risk which threatens also the King's funds in coming out to Canada. He therefore asks the minister to authorize the payment of these letters of exchange in order that they may be able to adopt similar methods for the future.

From this we gather that the payment of so many troops and other outlay requiring ready money, had necessitated the King sending much specie to Canada every year. On the other hand the falling off in the beaver, which used to be the staple of export against which letters of exchange were drawn, had made it necessary for the merchants to send much specie back to France in default of other means of paying for imports. Hence it naturally occurred to Champigny that it would be much more safe and convenient, both for the merchants and the King, to have them turn their money over to him instead of sending it

back to France, receiving in return letters of exchange which would be paid in France with the money which would otherwise have been sent to Canada.

His proposal was thoroughly correct as a system of exchange, and as the great naval powers of Europe were at war with France at this time, the risk of sending treasure across the Atlantic was very great. Subject to the influences of a stereotyped bureaucracy, the French ministry was at first slow to grasp the situation, seeing, too, only one side of the exchange process. In the end, however, Champigny's clear presentation of the facts and the increasing risks convinced them, and he was authorized to draw bills as requested.

In considering the financial, exchange and monetary condition of Canada from this time on, constant reference must be made to the situation of France itself in these respects. The Canadian experience in these lines, though very instructive, was not the result of gratuitous experiment, but mostly the inevitable outcome of the condition of affairs in the mother country. We are now at the period when France began to feel the terrible drain on her resources from the long wars in which she was engaged in Europe and her colonies, broken only by the short peace between the Treaty of Ryswick in 1697 and the opening of the war of the Spanish Succession in 1701. The increasing embarrassment, distress and partial bankruptcy of the Canadian colony, due to its financial and exchange difficulties, simply express the necessary colonial parallel of that even more terrible distress and misery amidst which the greatness and glory of the reign of Louis XIV. expired, and which laid the foundations of the financial disorder and social derangement which culminated in the French Revolution.

During this period many changes were made in the French national currency, which were necessarily reflected in Canada, though, for various reasons, the results were not always the same as in France. Thus in 1686 the French government raised the value of the louis d'or from 10 l. to 11 l. 10s., and other gold coins in proportion. The funds which were sent to Canada in 1687 were therefore all valued at this increased rate. On July 28th, 1867, the Procureur General drew attention to this fact in the Council at Quebec. He pointed out that the louis d'or and

pistolle were now rated at 11 l. 10s., the écu d'or at 119 s., or 5 l. 19s, and the demy louis, demy pistolle and demy écu at the half of these sums. The Council therefore ordains that these coins shall be raised to the same value as in France, which will make them, in money of Canada, louis d'or and pistolles 15 l. 6s. 8d., the écus 7 l. 17s. 8d., and their halves in proportion. Again in 1689 the value of both gold and silver coins was raised, the louis d'or being now placed at 11 l. 12s., and the louis d'argent at 3 l. 2s., which valuation was also adopted in Canada. But a re-coinage was undertaken in the same year, when, though the weight and standard were not altered, the value was raised. The louis d'or was issued at 12 l. 10s. and the louis d'argent at 3 l. 6s. The value being raised, the old money was easily recalled in France, but not so from Canada. In his dispatch of October 12th, 1691, Champigny asks the minister to inform him on what basis the old money may be permitted to circulate in the colony. The new money, he says, is current on the same basis as in France, with, of course, the usual addition of one-third its value. The minister notes on the margin of the letter that an ordinance is necessary to decry the old money in order to force it to return to the mint in France. Such an ordinance was evidently sent but it was not enforced, for, as the Governor and Intendant explained, they thought it unwise to enforce the law when to do so would be to compel the people to send almost all their money out of the country in the two vessels which were about to sail and which might be lost, as were others at that time. Besides, if they once sent their money away it was more than doubtful whether they should ever see it again. The only money which comes to the country is what the King sends, and the colony, deprived of its currency, would collapse altogether, as its present trade is in a very precarious position.

Canada thus continued to retain in circulation a large proportion of a coinage which had been recalled in the mother country. This situation and the natural tendency, under the circumstances, for money to leave the country, revived the proposal, which had never quite died out, for the striking of a special coinage for Canada. In 1695, Frontenac proposed the scheme, suggesting the issue of 100,000 fr. or 40,000 écus to be current

in Canada alone. If this is not done he fears that all the money will be drained out of the country in a short time. But when people have little to sell and pressing needs to meet, if they have any money that is sure to go, for it at least is salable. Obviously no special coinage would afford relief under such circumstances.

In 1693 a large quantity of beaver arrived in Canada from the west, giving much joy to the merchants and temporarily relieving the commercial distress. The following year, however, but little came and trade languished.

While the liberty to draw bills of exchange in autumn, to be paid out of the appropriation for the following year, relieved the Canadian authorities from the necessity of issuing card money to meet the expenses of the first half of that year, yet it did not enable them to enlarge the appropriation itself. Hence when, for one reason or another, the outlay of the year exceeded its revenue, the authorities were once more in perplexity to meet the deficit. This situation occurred in 1690-91, and again in 1692 and 1697, involving the further issue of card money on each occasion. In 1696, Champigny asked for a special appropriation to pay off the cards which represented this floating debt up to that time.

Much of the Canadian funds continued to be invested in goods in France and sent out to be disposed of on the king's account. In 1695, Frontenac, who had always a very lofty sense of the dignity of the Canadian administration, attempted to have this system abolished, and specie sent instead. He urges that the goods are troublesome to dispose of; besides such trucking is beneath the king's dignity, and it is greatly to the disadvantage of the local merchants that the King should have a store six times as large as any of theirs. Neither does he believe that the profit made on the goods is so great that it would materially increase the king's outlay if money were sent instead of goods. Champigny also points out, in partial explanation of his deficits, that the funds sent in the shape of goods to be sold were not immediately available but only as they were disposed of or otherwise used. However, no change seems to have been made at that time.

After several annual requests for funds to pay off the floating debt represented by card money, certain funds were appropriated for this purpose in 1700. Champigny gratefully

acknowledges the concession which, he says, will enable him to pay off the deficit due to losses incurred in 1690-91-92. It would appear that the deficit of 1697 still remained unprovided for, and though he declares that the issue of card money has ceased, in accordance with the orders of the minister, yet, when he was succeeded by Beauharnois in 1702 it was found that he had left a considerable amount of card money outstanding. Whether all of this was due to the issue of 1702, or included the remainder of former issues, is uncertain.

Meanwhile the financial condition of France itself was going from bad to worse, and in 1700 the King warns the Canadian authorities that they cannot expect much more assistance from him, as his affairs have fallen into a disastrous condition, and he foresees additional troubles in Europe; nor was his foresight defective.

Various schemes were considered for imposing additional taxes in Canada. In 1702 Beauharnois gives us a glimpse of how the finances were being manipulated in order to make both ends meet. The revenue obtained from Canada between the first of January and the middle of October in 1705 amounted to 29,444 l. An ordinance of the Intendant was issued Sept. 17th of that year, requiring that the import duties on wine and brandy should be paid henceforth in money of France. Card money became a regular means of meeting all deficiencies.

Though the Canadian beaver trade had now resumed its regular course, yet the European market for furs—a kind of luxury—was greatly reduced by the devastating wars which had been going on there. Vaudreuil and Raudot, writing in November, 1708, tell of the sad condition of the colony, owing to the low value of furs, and the recent losses by sea. They have tried every possible remedy, but nothing will answer save a rise in the price of beaver, which they think might be forced on the new company farming the revenue. The merchants of Canada had undertaken to manage the whole beaver trade from 1700. But their attempt fell upon evil days, and they were glad to be rid of it again to a company in 1707. The Governor and Intendant had to acknowledge that while the colony was suffering from the declining value of the card

money, owing to inadequate redemption, the letters of exchange drawn on the farmers of the revenue for the beaver sent to France were promptly paid in cash.

Matters becoming rapidly worse with the French treasury, there was an almost complete suspension of appropriations for Canada from 1708 till after the treaty of Utrecht in 1713. Though the expenses of the colony had been considerably reduced, yet the Intendant, having very little local revenue to depend on, had no other resource than the continued issue of card money. The quantity of card money outstanding at the close of 1713 amounted to about 1,600,000 l. The trade of the country was completely demoralized, the merchants claiming that they were ruined.

It being impossible to carry on the government upon card money alone, Begon, the Intendant at that time, having persuaded the people to accept half the face value of their cards, proposed this to the French Court in 1713. The proposal was discussed and adopted by arret in 1714. The amount of card money outstanding being taken at 1,600,000 l., 800,000 l. were to be paid in five yearly instalments of 160,000 l. each, begining in March, 1715.

In accordance with this arrangement, bills to the amount of 160,000 l. arrived in France in January, 1715. They were presented to the treasurer and promptly accepted, but when they fell due could not be paid. The importunity of the French merchants holding the bills, being great, the treasurer put them off till June and July with what were practically exchequer bills. But when these were due they could be cashed only at a discount of 60 per cent. They then went to the minister, who referred them to the King's secretary, but there, too, there was nothing to be had. Finally they obtained orders on the treasurer of the extraordinary war funds, and from him they managed to extract 33,000 l. out of 160,000 l.

Bills for 1716 had also been drawn at the same time. But when the fate of those presented in 1715 became known in Canada the people preferred to keep their cards, which were even yet of some value at home, consequently very few were offered for the instalment of 1717.

The letters of exchange drawn on the Company for the beaver exported, having been faithfully paid up to this time, the

colony was saved from complete ruin, although a panic was caused by the reported financial embarrassment and dissolution of the Company.

Finally the whole subject of the card money was referred to the Council of Marine for examination and recommendation. The Council reported April 12th, 1717, recommending the calling in and abolishing of the card money. The redemption should take place on the basis of one-half its face value, as already proposed, that being also the valuation at which it was circulating in the colony. As their plan could not be put in operation that year, it was agreed to allow the cards to be issued as usual, but for the last time. The details of their plan of redemption were too elaborate and theoretical to be worked, and a simpler one was adopted. It was also pointed out by the council that, inasmuch as the card money was required by law to be taken at its face value, instead of [actually passing for one-half its face value, the price of everything was doubled. But all debts, salaries and fixed charges were paid in cards at their face value, which was manifestly unjust; hence it was recommended that the cards be reduced by law to one-half their face value. They also advised the complete abolition of the distinction between "money of France" and "money of the country," all money to have the same value in Canada as in France.

The King accepted the advice of the council in principle. The final plan for the winding up of the card money system is given in the "Declaration of the King" dated July 5th, 1717, the leading items of which are as follows. To meet the requirements of the last six months of 1716, and the first six months of 1717, the last issue of card money will be made. All the card money, old and new, is to pass for one-half its face value; thus a card for 4 l. will pass for 2 l. money of the country, or 1 l. 10s. money of France. All the card money must be presented to the agent of Sr. Gaudion, treasurer-general of the Marine. That presented before the departure of the vessels this year will be redeemed in letters of exchange, payable one-third on the first of March, 1718, one-third on the first of March, 1719, and the other third on the first of March, 1720. Letters of exchange will not be given for less than 100 l. The smaller sums were apparently

to be paid off in cash. The remainder of the cards were to be presented in 1718 to be redeemed in 1719 and 1720. After the departure of the vessels in 1718 all money not presented will have neither value nor currency. From the publication of this edict the distinction between money of the country and money of France shall cease, all further contracts and transactions to be undertaken on the basis of the money of France, which shall also be the money of Canada. All debts and contracts made previously to this time shall be payable in French money, with a deduction of one-fourth, which is the difference between the Canadian and French money. This latter clause may be illustrated by the statement that 15 l. money of France, being increased by one-third, became 20 l. money of Canada, which, being reduced by one-fourth, became once more 15 l. money of France.

In accordance with this edict, the greater part of the card money was brought in and letters of exchange issued. A complete statement was sent to France giving the name of each person to whom the exchanges were payable—586 in all—with the amounts due to each in 1718-19-20. The total sum drawn in letters of exchange was 359,696 l. 2s., redeeming cards to the face value of 959,189 l. 12s. in money of the country.

On the 21st of March the King ordained that those who had contracted debts since 1714, when the value of the card money fell to one half-in consequence of being redeemed at one-half its face value, should be permitted to pay their debts, on the basis of one-half their value, in letters of exchange on the treasurer, M. Gaudion.

The vessels from France were anxiously awaited in Canada in 1718, as those interested in the card money were eager to know whether the exchanges due that year had been paid, or whether the promises of the court were broken again. On October 4th the Governor and Intendant write to say that they have not yet received word of the payment, and the merchants are in great suspense. They have assured them, however, that the bills were paid when due. By the 24th of October they are beginning to despair of the arrival of the ships, which were to bring them the money and stores for the next year, and take back the exchanges for the last card money. They say that

most of the specie which came out the year before has returned to France, and the colony is so nearly without money that trade is at a standstill. If the vessels do not appear before the end of the month they will have to suspend the law with reference to the card money and resort to it again. The vessels not arriving, the Governor and Intendant passed an ordinance suspending the law. In the meantime the King had issued an ordinance, on July 12th, extending the time for receiving the card money until the departure of the vessels in 1719.

This seems to have been the last hitch in the operations. All local circulation of the cards ceased in 1719, and in the dispatches of 1721 we hear the last of the Canadian card money of the first period.

From the facts which have been related with reference to this first experience with the card money, it is quite obvious that it was precisely of the same nature as the army bills issued in Canada by the British Government during the war of 1812-15. Had the exchanges drawn for the cards been promptly paid, as in the case of the army bills, they could not have affected disastrously the currency of the country, for only a temporary overissue would have been possible. An increase in the amount issued would have meant an increase in the expenditure of the government, which in turn would have meant an increased demand for goods and labor, and this would have involved a corresponding increase in the import of French goods, which would draw off, in return for letters of exchange, the greater part of the extra issue of card money. As the trade of the colony might be enlarged in this way, an increasing quantity of the cards would have remained in circulation to act as a medium of exchange.

It was not the quantity of cards issued in proportion to the population and trade of the colony that led to their depreciation, but simply the inability of the government to redeem the surplus not required as a circulating medium. Had the amount of card money issued not exceeded the needs of the country for a currency, they would not have fallen in value, whether the home government could have redeemed them or not. The need for them as currency would have prevented a call for their redemption.

Thus the card money, like the army bills, though issued simply as a means of enabling the authorities to carry on the

affairs of the country, yet, once issued, discharged two totally different functions: first, as a currency or local medium of exchange; secondly, as orders on France for supplies. The first, however, was simply incidental. Further, as the cards were issued only when the government was in straits, owing to the failure of the recognized methods of supply, the real currency function of the cards never had an opportunity to be recognized during this first period. In the beginning of the second period, however, this feature was strongly brought out, as will appear from the facts to be related in the next paper.

Other aspects of the card money as they appeared to the philosophic observer of that time, are admirably stated in a memoir on the subject, bearing date 1711. It contains a shrewd apology for the card money, written from the imperial point of view.

It is stated that nothing but card money is to be found in Canada. This the writer regards as very fortunate for France, which would otherwise have to supply the colony with about 100,000 écus yearly, which would be a very serious matter for the French treasury at the time. Of course much of it would return to France in payment for goods, but a great part would also go to the New England colonies, whereas card money could not be sent there. This was very true, and it was equally true that little Spanish coin was now coming to Canada from the New England colonies, as they too were deep in the mysteries of paper money at the same time. Among the other virtues of the card money, according to the memoir, was that it avoided the risk of loss by transport, and the loss of money, as the writer feelingly remarks, is the worst of losses.

Again, it is good policy on the part of the King to render his subjects submissive, and to attach them to his person. This the card money does by making all its value depend on the pleasure of the King as to its redemption. This idea, in a very similar form, was recognized in the case of the Bank of England then recently established.

Further, the card money enables the mother country to completely monopolize all benefit to be derived from the Canadian colony, and this is the height of good policy.

As to its drawbacks: The first is the danger of counterfeiting, both in Canada and from France. The remedy proposed

is to call in the money each year to be redeemed in letters of exchange, and then issue new cards with different stamps after the departure of the last vessels. These suggestions were afterwards partially adopted, though the stamps were not changed every year. The writer admits that at present and for some time past, the letters of exchange drawn for the cards have not been very well redeemed; but it is only proper that the colony should suffer something for the mother country from which it derives all its benefits.

Throughout, the memoir is thoroughly characteristic of the mercantile and colonial policy of the time.

The next paper will deal with the conditions leading up to the second issue of the card money, and the course which it ran.

ADAM SHORTT

QUEEN'S UNIVERSITY, Kingston

OBITUARY

MR. R. R. GRINDLEY

MR. R. R. GRINDLEY, late General Manager of the Bank of British North America, who recently died in New York, commenced his banking training at an early age in one of the English provincial banks. After a few years he entered the service of the Bank of British North America, and was sent as a clerk to the London, Canada West, Branch, in 1854. From 1858 to 1862 he was secretary to the late Thomas Paton, the then General Manager, and in 1862 received the appointment of Manager at St. John, N.B. In 1870 he was removed to Montreal as Manager, and in 1877, on the retirement of Mr. C. McNab, he was appointed General Manager, retaining the appointment until his retirement in 1894.

Owing to the conditions which prevailed at the time of his assumption of this responsible position his task was an anxious and difficult one. The country had been going through a period of extreme depression, succeeding some years of inflated credit and excessive imports. Failures were numerous, and, in many cases, serious, entailing large losses. The depression in the lumber trade in the Ottawa Valley and New Brunswick resulted in failures and heavy shrinkage in values of securities. Matters were not very much better in the United States, where specie payments had not yet been resumed.

Such were the conditions facing Mr. Grindley at the commencement of his charge, and he felt to the full the responsibility of his task, the nature of which will be appreciated by the initiated who have seen bad harvests, accompanied by shrinkage in values, reduction in the volume of general business, falling rates and collateral profits, and such matters as tend to bring down the margin of a bank's profit and leave but little surplus for that necessary insurance against bad debts—specially needed during such a period.

Mr. Grindley quietly faced the responsibility and went on with the task which devolved upon him. He was a man who adhered strongly to the principles in which he had been trained, and required in others an equal rectitude of conduct, looking with great disfavor on any attempt at deception. Retiring by nature, he yet took a keen interest in public affairs, and lent his help, especially in civic matters, to the cause of good government, but always shrank from any public assertion of himself personally, or anything that savored of advertisement. He read constantly on financial matters, and being able, by reason of his judicial mind, to consider questions from an independent point of view, the opinions he formed were found to be very generally correct and justified by the course of events, as was sometimes acknowledged by those who at first held other views.

It is within the knowledge of the writer that one of the able Governors-General whom we have been fortunate in having in Canada, hearing of Mr. Grindley's unbiased knowledge, had some lengthy interviews with him in order to get the benefit of opinion untinged with prejudice to assist him in learning the prevailing conditions of the country over whose destinies he was called on to preside.

It is not in the nature of things that in the career of a man of Mr. Grindley's quiet temperament there should be any startling or sensational incidents to relate, and there were none. During the period of his careful superintendence the affairs of the Bank quietly prospered, as a glance at the public returns will show; and in that the simple story is told. He retired taking with him the high esteem of his associates and subordinates, in which none shared to a greater degree than the writer, who is glad to offer a tribute of respect to his memory.

S.

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MR. ALEXANDER ROBERTSON

There passed away at Brantford on Monday the 6th of June, 1898, one who was exceptionally well known and highly esteemed in Western Ontario. From the time of his arrival in

Canada in 1853 until the day of his death, Mr. Alexander Robertson, for thirty years the manager of the Bank of British North America, was a resident of Brantford, where he served the bank continuously as clerk, teller, accountant and manager, until he retired from active service in 1894.

He carried with him into his retirement the good will and affection of a large circle of friends, whom he drew to himself from all classes of the community. A long and busy life passed in the same district, coupled with a strong and attractive personality, caused him to be known very widely, and, with his qualities, to be widely known meant to be widely trusted and respected.

Altogether Mr. Robertson's career was one of which in Canada we rarely see the like, and he leaves a name behind him which the most fortunate among us might envy.

THE BANKING "MONEY POWER" IN CANADA

THAT the cry raised against the "Money Power" in the last Presidential election in the United States should in the end have come to be directed in an especial manner against the banking institutions of the country does not afford ground for surprise. The character of the issue upon which the contest was fought, and the fact that the bankers and financiers were arrayed almost to a unit on the opposite side, would have rendered it natural enough that the silver party should vigorously attack the banking interests—even had it not been the case that such a choice of an object for special attack gave point to the epithets "gold bugs," "gold trust," "Wall Street money changers," "money power," etc.

No doubt there is a "money power" whose influence is exerted to attain ends inimical to the general welfare, but nothing could be farther from the truth than the supposition that the influence of the banking interests is so exerted. That such a supposition should prevail, even to a limited extent, ought not perhaps to be a matter of indifference to the banks. In the United States the organized cry against the banks roused strong prejudices, of whose mischievous effects we shall doubtless have testimony for a long time to come, notwithstanding the fact that since the election is over the term "money power" has again come to be used in its wider sense. In Canada the conditions surrounding the banking and currency system have for years been such as to render the bank hater innocuous; nevertheless the same prejudices against banks are to be encountered—strengthened possibly in some slight measure as a consequence of the theories promulgated by the silver party in the United States.

It may therefore serve a useful purpose to consider: (1) The composition of the banking interests; (2) the nature of

the misconceptions as to the functions and operations of banks, upon which the prejudices against these institutions are mainly founded; and (3) what the profits of banking really are.

For the purpose of such an investigation Canada presents a favorable field, first, because official statistics are readily accessible on the main points we have to consider; and, second, and of most importance, because, being a country of few and comparatively large banks, if odium justly attaches to the organization of "money changers" it should be true here in a peculiar degree.

THE COMPOSITION OF THE "MONEY POWER"

The Dominion Blue Book on Chartered Banks shows that on the 31st December, 1896, there were approximately 23,000 names in the lists of shareholders of the chartered banks in Canada.

In order to fully appreciate the meaning of these figures, regard must be had to the fact that the class from among which bank shareholders are drawn, is necessarily a limited one. Of those of the population having a surplus of a few hundred dollars and upwards, the large majority have their means either represented by the ownership of farms or other real estate, or employed in the various mercantile pursuits. Of the minority whose capital is not employed in business or represented by the ownership of real property, much the greater number* are impelled by caution to deposit their moneys in the different savings institutions, from which they may be readily had again, in preference to venturing them in investments promising better returns but of which their knowledge is limited. Making allowance for these elements it will be readily seen that the class among which investors in stocks are to be found is a comparatively small one. And when we consider that for these latter there are besides bank stocks, marketable stocks and bonds of innumerable other undertakings, such as Land Mortgage Companies, Fire and Life Assurance Associations, Railways, Lighting Com-

* The total number of depositors in the chartered banks, saving banks, post office and government saving banks, loan companies and other savings institutions in Canada is variously estimated at 800,000 to 1,000,000.

panies, Telegraph Companies, Mining and Industrial Corporations, etc., the significance of the figures quoted for the number of bank stockholders becomes clear.

Nor is the actual distribution of the different bank stocks less striking than the figures of the number of holders. No one who peruses the Blue Book can fail to be impressed by the moderate amounts which as a rule are held by individual shareholders, and with the representative character of the shareholders' lists in every instance. A complete analysis of all the lists is scarcely feasible, but in the statistics given in the succeeding page, embracing all the banks with a capital of two million dollars and upwards save two possessing Imperial charters, will be found ample illustration for our purpose.

If it were possible to present in concise form the facts as to the conditions in life of the holders of bank stocks, they would be found instructive. A perusal of the lists reveals the fact that holdings of moderate amount in great numbers stand in the names of executors and trustees, and these only partially indicate the extent to which the business of the banking corporations is conducted for the benefit of widows and orphans. There is no means of ascertaining the extent to which the other holdings represent the owners' entire means, the dividends on which constitute an important proportion of small incomes, but it is impossible for anyone to examine these lists of shareholders without realizing to what a great extent the 62 millions of banking capital of the Dominion of Canada is composed of the savings and inheritances of persons in very ordinary circumstances.

No doubt it would be sought to distinguish between the proprietary and the directorate and executive, for the popular prejudice is not deliberately directed against such a proprietary as that whose composition we have analyzed. But we cannot logically distinguish between those actively directing the operations of an institution and those for whose benefit it is operated, especially where, as in the case of a banking corporation, the former are in the strictest sense representative of the latter. The directors are chosen by the shareholders purely on the grounds of fitness, and are almost invariably men who have been eminently successful in their own business or profession,

	Bank of Montreal	Merchants Bank of Canada	Canadian Bank of Commerce	Quebec Bank	Bank of Toronto	Molsons Bank	Imperial Bank of Canada
Total number of shareholders..	2,180	1,632	1,975	984	390	526	518
Number of shareholders owning stock to the amount of							
$ 2,000 or less.....	1,225	1,110	1,333	686	223	364	332
2,000 to $ 5,000.....	505	261	432	196	86	101	109
5,000 " 10,000.....	223	151	126	65	43	30	46
10,000 " 25,000.....	168	87	57	31	26	23	21
25,000 " 50,000.....	33	11	19	4	8	4	4
50,000 " 100,000.....	17	7	5	2	3	3	5
100,000 and upwards....	9	5	3	0	1	1	1
Paid-up capital.....	$12,000,000	6,000,000	6,000,000	2,500,000	2,000,000	2,000,000	1,963,600
Amount owned by holders of $100,000 and upwards.....	1,735,400	841,000	760,000	Nil	208,200	365,000	126,300
Or.....	14.45%	14.02%	12.66%		10.41%	18.25%	6.41%

and possess the confidence and esteem of the business community. They hold office for one year only unless re-elected, and their remuneration is—except perhaps in the case of the president—but a nominal one and of course voted by the shareholders. It is a noteworthy fact also that the stockholdings of the directors of Canadian banks are, with a few exceptions, very moderate indeed, usually representing but a small proportion of their private means. This will be clearly seen from the following figures from the official lists:

INDIVIDUAL STOCKHOLDINGS OF DIRECTORS

BANK OF MONTREAL

3 directors holding $20,000 or less each
1 director holding 80,000
1 director holding 100,000
1 director holding 150,000
1 director holding 201,000
1 director holding 410,000

MERCHANTS BANK OF CANADA

5 directors holding $20,000 or less each
1 director holding 90,000
1 director holding 96,000
1 director holding 138,000

CANADIAN BANK OF COMMERCE

5 directors holding $30,000 or less each
1 director holding 62,000
1 director holding 164,000

QUEBEC BANK

6 directors holding $30,000 or less each
1 director holding 85,000

BANK OF TORONTO

6 directors holding $30,000 or less each
1 director holding 208,000

MOLSONS BANK

6 directors holding $25,000 or less each
1 director holding 60,000

IMPERIAL BANK OF CANADA

5 directors holding $30,000 or less each
1 director holding 66,700
1 director holding 72,000

The Government Bank Statement of December 31, 1897, shows that with total loans and investments of $276,764,000 the banks had loans of $7,689,000 to directors and to firms of which directors were partners, clearly a sum well within what we might expect to be legitimate when it is borne in mind that among the directors of the banks are to be found numbers of men who are partners in some of the most important business houses of the Dominion, whose operations involve bank loans of a most desirable kind.

The only benefits which the directors of banks can derive from their respective institutions are such as are shared in common by all the other stockholders. It is manifest therefore that in framing their policies they can have no other end in view than to keep the funds at the disposal of the banks continually diffused in the channels of trade in such a manner as to earn the current rates of interest without unduly risking the funds entrusted to them. In this way only can they advance the interests of their shareholders, and clearly no odium can attach to them as "money changers" that does not attach to the shareholders in general.

So much for the composition of the "money changers." But in speaking of the money power we must not overlook the fact that in reality it is not complete without the inclusion of the multitude of depositors. The proprietors' capital is a large sum—$62,289,000 plus reserve funds aggregating $27,516,000—but this is only one-fourth of the moneys in the custody of the chartered banks. The sum of $221,000,000 is held on deposit, and the depositors number about 400,000.*

Of the composition of this latter body it is scarcely necessary to speak—it includes many thousand farmers, many thousand wage earners, and, save to a very small extent, the deposits represent the savings of people of small means. The administration of this large sum is in the nature of a trust, a consideration which is overlooked by that species of demagogue whose letters to the press against the "money power" are prompted by his inability to induce a bank to lend to him the savings of others on inadequate security.

*This information was obtained from the Dominion Statistician.

Probed to the bottom, we find that the much suspected money power is composed of those persons—considerably in the majority, happily—who through industry and abstinence have been enabled to save from a few dollars to a few thousand dollars, and that the men of large fortunes—the pure "capitalists"—have not as a rule a large interest in the money power as represented by the banks. Indeed the stockholders and depositors of the chartered banks together constitute such an important proportion of the entire community that the banks might in a certain sense be called "People's Banks."

MISCONCEPTIONS AS TO THE FUNCTIONS AND OPERATIONS OF BANKS, ON WHICH THE PREJUDICES AGAINST THEM ARE MAINLY FOUNDED

Speaking broadly, the antagonism to banking institutions grows out of misconceptions which have their origin, mainly, in the belief that the banks are the owners of hoards of gold, that the business of banking consists in accumulating "money," and that when money is scarce the scarcity is the result of these operations.* During the recent presidential campaign it was charged that the banks were engaged in a constant conspiracy to enhance the value of gold, and that this enhancement and the corresponding fall in prices of commodities, operated to enrich the bankers while impoverishing the toilers and producers. If we add to this the charge, always couched in vague terms, that the banks are fortified in their oppressions by corruption, we have a sufficiently accurate notion of the supposed wielding of the "money power."

* The following sentence is quoted from the annual address of the President of the English Institute of Bankers, delivered in December last:

"I will digress for a moment to utter a protest against the tone which Professor Foxwell has thought fit publicly to adopt towards us. In a letter which he penned to be read before a bimetallic meeting in Manchester on October 12th, he thought fit to accuse the London Bankers (whom he describes as 'a small group of middlemen') in their opposition to the recently proposed policy with regard to the Bank's reserve, of raising 'a noisy and irrational, but evidently concerted clamor.' He goes on to say that our chief concern has been to make the commodity we deal in artificially scarce. He terms us 'Monopolists' and says that our only thread of consistency, now as in former times, 'is to aggrandise the creditor by increasing the real value of the money in which the debt is expressed.'"

With reference to the last point mentioned, it may be said in passing, that in Canada—as is probably the case in most countries—such a thing as a subscription by a bank to the funds of a political party is altogether unknown. The banking institutions have been independent of both parties and have received favors from neither. They have many times had to defend themselves against hostile legislation of a more or less vicious nature, and on such occasions they have used no weapon but that of argument and reason. On the other hand the Ministers of Finance who have held office in late years would doubtless testify that whenever reasonably conceived measures have been brought forward to amend the banking laws in the interest of the public, the banks have lent every possible aid in the framing of effective legislation.

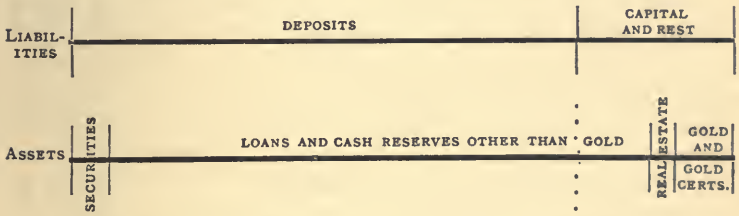
But with regard to the nature of banking operations. The proposition that the banks are engaged in a conspiracy to enhance the purchasing power of money, is one which bankers find it difficult to regard as propounded in good faith.

It is what capital will earn when lent to those engaged in production and manufacture, that constantly concerns the banker, and complex considerations surrounding the question of the appreciation or depreciation of gold have no place in his calculations, nor indeed would the gain or loss from this cause from year to year, if accurately ascertainable, be found of any moment in his account of profit and loss. In years when normal conditions prevail in the money market the average rates obtainable for mercantile loans by the banks in the United States range from 6 to 8 per cent. per annum, and in Canada the average rate of late years has been about 6.5 per cent.; whereas the appreciation of gold due solely to change in the relation between the demand and the supply of that metal as distinguished from its altered value by reason of the reduced cost of producing and transporting other commodities, has been a small fraction of 1 per cent. per annum—if indeed there has been any appreciation of gold in this sense.

It is not inconsistent with the contention that banks have no peculiar interest in seeing the value of gold enhanced, that the American banks should have been deeply concerned as to the outcome of the presidential election. The effects of slight

and gradual fluctuations in the value of gold are altogether different from those which would have followed the enactment of the policy advocated by the silver party, which as we know meant the cutting in half of all debts not expressly payable in gold. The banks undoubtedly had a good deal at stake in the result of the election, but as to the nature and extent of this the misconception is almost general. And since distrust of the motives which prompt the attitude of the banks on the question of the standard of value is an important element in the antagonism evinced by the public towards these corporations, it will be of advantage to show just what the position of the American banks would have been, had the United States plunged to a silver basis.

The aggregate deposits of the national banks of the United States in November, 1896, were approximately three times the amount of their capital and rest accounts. If we represent their assets and liabilities by parallel lines drawn to a scale, the position of the national banks is thus shown:



It will be observed that if all the loans and "securities" were payable in currency, the loss to the banks in the event of a change to a silver basis, would have been limited to that portion of their assets represented by the distance between the horizontal dotted line and the line indicating the extent of their gold reserve and holdings of real estate, the loss on the assets represented to the left of the dotted line being counterbalanced by the gain on the deposits. The proportion of the capital and rest thus appearing as unprotected is five-ninths. Allowance would have to be made, however, for that portion of the "securities" (municipal and corporation bonds, etc.) by their terms payable in gold. If only fifty per cent. of them were payable in gold, the proportion of the capital and rest

unprotected would be nine-twentieths instead of five-ninths. On this basis the apparent loss to the banks' shareholders—taking the ratio of value between a gold dollar and a silver dollar as 1 to 2—would have been nine-twentieths of 50 per cent., or 22.5 per cent., as against the full 50 per cent. lost to depositors and all others of the community having debts due to them in "currency." Besides, many banks had a portion of their loans repayable in gold, having taken the precaution in connection with transactions entered into during a period prior to the election to stipulate that the borrowers should repay in value equivalent to that in which the loans were made. And it will be seen that with only eighteen to twenty per cent. of their loans payable in gold they would have been fully protected. As a matter of fact some banks had such a proportion of their loans and investments on a gold basis, that had silver carried the day they would have been gainers were it a mere question of a balance of accounts.

It was not indeed upon the banks that the first blow of the silver dollar would have fallen. The purchasing power of a "dollar" after the election would have given the banks little concern, and fluctuations in the value of silver, tending downwards, would not then have entered into the calculations of bankers any more than do fluctuations in the value of gold at present.

What did deeply concern the banks as to the outcome of the election was the possibility of the ruin of some of their borrowers in the catastrophe inevitably to follow a silver triumph, entailing marginal losses to themselves. The interests of the banks were endangered as a rule only by reason of the danger which threatened the mercantile community, and not at all in the manner and special degree which the public generally supposed.

The truth is that money is for the most part a tool in the hands of the banks just as it is in the hands of individuals—a tool in banks' hands with which to effect the circulation of movable wealth. As to the policy pursued by the banks with respect to their operations in gold and holdings thereof, it may be said that their constant endeavor is to maintain their entire cash reserves at the smallest figure that prudence will permit, and to

find prompt employment for any surplus in the channels of commerce. As the profits in banking nowadays are derived almost wholly from interest on capital lent, every dollar of money lying idle in the strong boxes of banks means an actual loss, and self-interest renders it their supreme object to keep the last dollar of lendable capital in circulation. But it scarcely needs demonstration that a condition where the banks could be charged with perversely withholding money from circulation, and so rendering it scarce, or with having any power whatever to make money plentiful or scarce at will, while at the same time promoting their own interests, is one whose existence it is impossible to imagine.

There is yet another aspect from which the matter must be viewed in order to fully demonstrate how ill-founded and unjust is the suspicion and antagonism directed against this "money power." Very few of the public, even among those of the mercantile public who have cause to do so, realize how much the prosperity of a country is dependent upon the character of its banking system, and upon a wise and economically sound administration of the institutions of which it is composed. It is the part of banking not merely to lend money on good security, but to take care that loans obtained by the mercantile community are used for legitimate purposes, and that the moneys are repaid whenever in the natural course of events those purposes ought to be fulfilled. They should strive to curb commercial speculations and tendencies to inflation, and to prevent the floating capital of a community from being invested in enterprises which—whether or not the banks' loans would in any case be safe—have in them the possibility of a locking-up or destruction of capital. The safety of the whole fabric of credit upon which the commerce of a country rests is largely dependent upon the manner in which the banks are organized and their affairs administered. As to how the banks in Canada have fulfilled their obligations to the public little need be said. We have had periods of depression, more however as to the result of conditions existing in other lands than as the penalty of our own economic sins. But for many years there has been no collapse of credit, no crisis nor any suspicion of a panic;

and our immunity therefrom can be largely attributed to the fact that in the policies which have governed the conduct of business by our banking institutions were to be found forces at work to hold the course of trade and commerce on sound economic lines.

THE PROFITS OF BANKING

With regard to the profits of banking—the remuneration which is exacted for services so admirably performed—there prevails widespread misconception, traceable for the most part to the apparently large dividends paid by many of the banks. The public take no account of the fact that in every case a portion of the dividend represents interest on the "Rest." The rest of a bank is composed of an accumulation of many years' savings, savings which had they been added to the yearly dividends would not have increased the rate percentage of dividend in any year beyond what in that year would have been a fair interest return. Having, however, elected to abstain from withdrawing a portion of the yearly earnings in order that a fund should be created which would serve as a protection for depositors not less than for themselves, the sums so accumulated are none the less proprietary capital and none the less are the shareholders entitled to be paid whatever interest the bank can obtain from the investment of the same. From the standpoint of the shareholder there is no difference whatever between the capital and the rest of a bank : the former represents capital originally invested and the latter as a rule represents a portion of the profits saved and reinvested in the business of the bank ; both are equally capital belonging to the shareholders. The rates of dividend paid by the Canadian banks, which in two instances are as high as 12 per cent. per annum, create the impression in the minds of the public that the profits of banking are very large, sight being lost of the fact that the dividend on the face amount of the capital stock must stand also for the shareholders' return on the proportion of the rest pertaining to his shares of stock. Calculated on the full amount of capital which the shareholders have invested the interest return is very much

smaller than the rate of dividend would indicate. On this basis the results in the cases of the banks already named are as follows:

	Capital Stock	Reserve Fund	Dividend paid on capital	Rate of dividend calculated on combined capital and rest
			Per cent	Per cent.
Bank of Montreal.....	$12,000,000	$6,000,000	10	6.66
Merchants Bank of Canada	6,000,000	3,000,000	8	5.44
Canadian Bk.of Commerce	6,000,000	1,000,000	7	6
Quebec Bank.....	2,500,000	600,000	6	4.84
Bank of Toronto.....	2,000,000	1,800,000	10	5.27
Molsons Bank	2,000,000	1,500,000	9†	5.14
Imperial Bank of Canada.	2,000,000*	1,200,000	9†	5.63

One bank (the Dominion) having a capital of $1,500,000, and rest of $1,500,000, and another (Bank of New Brunswick) with a capital of $500,000 and rest of $600,000, pay dividends at the rate of 12 per cent. on capital, equivalent to 6 per cent. and 5.55 per cent. respectively, on capital and rest taken together.

In prosperous years when the banks are able to add to their rests, the amount of such additions would be equivalent to a further 1 to 2 per cent. on the combined capital and rest, but taking good and bad years together the earnings in excess of the dividends paid would be appreciably less than this 1 to 2 per cent. It could be demonstrated from actual figures in the cases of all banks whose entire earnings in the earlier years were derived from business confined to Canada, that had the net earnings of each year been withdrawn to the last dollar in dividends the average yearly interest would in no case have been in excess of that obtainable from other forms of investment, many of which are less hazardous than bank stocks.

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The ownership of the banks, as we have shown, is vested in a large number of persons, whose shares with few exceptions are individually moderate or quite small, large capitalists rarely having any considerable portion of their wealth invested in bank stocks.

*Increased from $1,963,600 since December, 1896.

†Including a bonus of 1%.

The amounts which the directors themselves have invested in their respective institutions are, as a rule, only a small part of their means, and no policy of administration which they might adopt could result in their deriving greater benefits than those which would accrue to every shareholder possessing an equal amount of stock. It manifestly follows that there is no warrant for the supposition that in framing their policy the directors of a bank could be animated by any other motive than the desire to advance the interests of the general body of shareholders.

From the very nature of banking and of the facilities which it is the purpose of banks to afford to trade and commerce, their successful administration involves results in the highest degree beneficial to the community. As we have indicated, the energies of banks are mainly directed to finding the fullest possible employment for their available resources in mercantile loans. The more successful they are in this, and in judging as to what enterprises they ought or ought not to assist, the larger their own profits and the greater the benefit to the community from their operations. In dealing with the loanable funds at their disposal it is scarcely possible for the banks to pursue a policy inimical to the proper interests of the public, and at the same time advantageous to themselves.

Adding to these considerations the facts we have adduced as to the profits of banks, nothing further is wanting to show the fallacious character of the theories on which existing prejudices against these institutions are founded. The opprobrious term "money power," surely lacks aptness as applied to institutions organized, owned and administered as are the chartered banks.

VERE BROWN

Toronto, June, 1898

THE HISTORY OF INTEREST*

IN most early states of society, there seems to have been an inborn repugnance to usury or interest, and in many the practice was unknown. Where we do find traces of the practice of loaning at an increase we also find that society has become more heterogeneous; some members have amassed vast estates, while others have become impoverished. Borrowing in such cases would be necessitated by the pressure of want, and the loan would only be made on usurious terms. For centuries, then, loaning implied a wealthy creditor and practically an enslaved debtor, and hence usury became associated with cruelty and hardship. With the development of commerce and industry in the 16th century, there was a new field opened to the would-be banker, and the old view of usury gradually gave way, until now we are so familiar with the phenomenon Interest, that we may sometimes forget the centuries of conflict in which theologian and philosopher, legislator and jurist, economist and merchant, attempted to discover some equitable law on usury.

The words "interest" and "usury" are not now considered synonymous. "Usury" is the older word and is generally understood to be the excessive gain of anything above the principal or that which was lent, "exacted only in consideration of the loan, whether it be in corn, wares, or money." It is most commonly an unlawful profit which a person makes by his money or goods. "Interest" on the other hand is now employed as signifying a moderate charge exacted by the creditor for the loan of capital. This distinction is purely modern, dating from Henry VIII's reign; for in the earlier writers of sacred and profane history, the word "usury" (Latin *Usura*, Greek *Tôkos*) meant any gain moderate or excessive got by lending.

*Read at the annual meeting of the Canadian Bankers' Association, Niagara Falls, October, 1897.

In Holy Writ we learn that the Mosaic law prohibited the taking of usury from an Israelite in a straightened condition, for borrowing could only arise from penury, as the Jews in those early times had little concern with commerce. But this prohibition was not to prevent them from caring for any destitute in their midst whether they were strangers or not, and when aid was given, it was distinctly commanded that there was to be no increase charged, either in money or in victuals.[1] They were, however, permitted to lend to strangers (a term usually implying Gentiles), although even in this case there was a restriction that strangers against whom they had no quarrel, and upon whom God had not pronounced his judgment, were to be free from usury.[2] This sanction is equivalent to that given in the case of war; they were allowed to lend at usury to their enemies. In spite of these injunctions there is plenty of evidence to show that usury was not unknown among the Jews themselves, for in *Nehemiah*[3] we read of restitution to Jewish debtors of the lands on which money had been advanced by Jews at the rate of 1% per month.[4]

After the fall of Jerusalem, the Jewish people became scattered along the Mediterranean, and owing to the restrictions mposed on them by Christians, they were excluded from carrying on any trade except that of money-lending. They were also excluded from any share in national or municipal life, and were in consequence under royal patronage and protection, as there was no feudal or customary law to which they could appeal in case of injury. They thus became a source from which royalty could exact a tribute for their protection.

In all large cities in mediæval times, we find the Jew lending his ducats at exorbitant rates, even to the exacting of "a pound of flesh." The rate of gain that they were allowed to receive during the 13th century was about 43⅓% per annum,[5] and it was largely on account of this extortion that they became so thoroughly despised and so cruelly treated in western Europe.

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1. *Exod.* xxii., 25, 26, and *Lev.* xxv., 36-38.
2. *Deut.* xxiii., 20.
3. *Neh.* v., 7-12.
4. Salvador's *Institutions of Moses*, pp. 279, 283.
5. Ashley's *English Economic History*, Bk. I., p. 203.

They were allowed into England by the Normans shortly after the conquest, where they remained subject to many restrictions and privations until 1290. After a lapse of several centuries Oliver Cromwell gave them permission to live in the country, but without any civil or national rights. We can perhaps realize the strong prejudices that existed against the Jews when we consider that it is hardly forty years since all disabilities were removed.[1]

Coming to Ancient Greece we see a state of affairs somewhat similar to that depicted in *Nehemiah*. The history of the city states of Greece and early Greek philosophy reveal the great injustice done to those unfortunate enough to need the aid of the money-lender.

The first borrowers were undoubtedly driven to the necessity of soliciting financial aid by the pressure of want. The exact social condition of these Athenian debtors during the time of Solon has been a matter of much conjecture. By some it has been maintained that the arrears of rent or of produce, payable to the owners of the soil, were converted into debts for which the tenant was allowed to pledge his own body and the bodies of his relatives. A succession of bad crops and the heavy demands upon the citizens on account of the Attic wars, had so aggravated their troubles that nothing but the sweeping measures of Solon's Seisachtheia could save the state from absolute ruin.[2] However this may be, most commentators are agreed that there was a possibility of the complete annihilation of the middle orders, and that this was averted by Solon, by abolishing the practice of enslaving debtors and by cancelling all debts made on the security of land or the pledge of the body of the debtor. According to Plutarch he also reduced the rate of interest, which was about 16%, but it is generally conceded that he left the rate of interest to be determined by free contract.

In the different parts of Greece the rates charged on loans on good security varied greatly. In the outlying states 24% was not considered excessive, while at Athens, during the time

1. Skottowe's *History of Parliament*, p. 331.
2. Cox's *History of Greece*, p. 26.

of the orators, 14% was generally received.[1] This dearness of money can be attributed to two causes: (1) the dearth of capital, and (2) the cheapness of labor, which made the percentage of return on capital very great.

In the writings of Plato and Aristotle we find frequent mention of the practice of taking interest. In his *Republic* the retail shop-keeper as well as all tradespeople are looked upon by Plato with suspicion. To these vocations he would assign only those who were physically weak, while money-lending would not be tolerated. In his *Laws* he also excludes it, allowing only one exception in favor of usury, the case of a customer who does not pay for an article which he has ordered, and who must pay interest after a specific time. To prevent money-lending, he would finally decree that the precious metals should *not* be private property, and that the currency should be of only limited amount, in the form of "token" money.

Aristotle defined wealth as "a quantity of instruments for the household or State," and so long as the science or art of wealth dealt with any product used for the household, he termed it Natural Finance. One passage in the first book of his *Politics* has had a marked influence upon mediæval opinion as to usury, and has also considerable value in the history of Interest, as it enables us to infer how this ancient philosopher viewed the subject. Aristotle there says: "Now there are two species of finance, one belonging to *domestic* or *natural* economy and the other to *trade*. The former is indispensable and laudable; whereas the latter, which is an art of exchange, is justly disparaged as being contrary to nature and enriching one party at the expense of the other. But of all forms of bad finance, there is none which so well deserves abhorrence as petty usury, because in it, it is money itself which produces the gain instead of serving the purpose for which it was devised. For it was invented simply as a medium of exchange, whereas interest multiplies the money itself. Indeed it is to this fact that it owes its name (*Tókos* or offspring), as children bear a likeness to their parents, and interest is money born of money. It may be concluded, therefore, that no form of money-making does so much violence to nature as this."

1. Grote, *History of Greece*, Vol. III, p. 286.

From this passage we see that Aristotle, like some later writers, allows that profits may be made in husbandry and stock-raising, but shop-keeping and commerce he seems to regard as a perversion of nature's laws. It is little wonder then, that he should consider the spendthrift a better citizen than the miser who hoarded for the sake of the accumulation itself.[1]

We must not be too severe in our censure of this pessimistic view of commerce and trade, for it must be remembered that it is to be seen in all the Greek literature from Homer to Aristotle.[2] Good citizenship was the one thing necessary in the eyes of all Greek critics, and as usury and trade were associated with cruelty and hardship, all such dealings were branded as immoral.

In early Rome the same tendencies are to be noticed as at Athens, but the difficulties at Rome were never successfully met.

After the expulsion of the Kings in B. C. 509, the interpretation of the following mass of customary law was wholly in the hands of the patricians, who interpreted and arranged it to suit themselves. The bulk of the small proprietors were indebted to this class to such an extent that they were practically slaves. Usury had given undoubted power to this already powerful but small plutocracy, so that the popular suffering thus caused required a readjustment of debts as well as of the laws.

After a long struggle the twelve tables were drawn up, and the rate of interest (interest was then allowed by Roman law) was restricted to 10% per solar year.[3] This attempt to fix a maximum rate proved futile. The real root of the difficulties was that the creditor still possessed the legal right of casting his debtor into chains, if after a lapse of thirty days he had failed to discharge his debt or to find a surety. Grote says that "the private prison with the adjudicated debtors working in it, was still an appendage of the Roman money-lender even in the third and fourth centuries of the Christian era."[4]

1-2. Bonar's *Political Philosophy*, p. 38.
3. Tacitus, *Ann. VI.*, xvi. 3.
4. *History of Greece*, Vol. III., p. 213.

In B. C. 347, interest was fixed at 5%, and five years later it was abolished altogether, but this did not remove the evil, as the processes of Roman law were still shut to all but the wealthy, and consequently such statutes had no effect.[1] When the taking of interest did become legal in B. C. 88, under the consuls Sulla and Rufus, the creditor had only a civil remedy against the property of his debtor, whereas in the case of the principal he was still allowed to imprison and enslave until the "utmost farthing" had been paid. This shows the dislike felt by the Romans towards the taking of usury. But money-lenders were not satisfied even with this excessive insolvency law; they established many ways of evading the letter by collusive action and by artifice, which enabled them to bind the creditor for the interest also. Out of some of these legal artifices have grown not a few of the present forms of deed and conveyance of property used particularly in England.

Cato once being asked what he thought of usury, made no other answer to the question than by asking the person who spoke to him what he thought of murder.[2]

It is impossible to estimate the effect of such an evil on the social and economic history of the Roman Republic. In the Roman provinces the evil reached a much greater height than at Rome, as we can partly judge from the tremendous differences in the rates of interest. When interest was only at 4% at Rome, in the provinces it varied between 25 and 50%.[3]

To Julius Cæsar belongs the credit of first establishing at Rome, the system introduced into Athens by Solon some five centuries before. The *lex Julia de bonis cedendis* introduced into Roman law the principle, now adopted in all insolvency legislation, that the insolvent could surrender his estate to his creditors, and as Prof. Mommsen says, "enter upon a new financial existence in which he could only be sued on account of claims proceeding from the earlier period and not protected in the liquidation if he could pay them without renewed financial ruin."[4]

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1. Livy, xxxv. 7.
2. Cicero, *Orationes*.
3. Mommsen's *History of Rome*, Bk. v., ch. viii.
4. *History of Rome*, Bk. v., ch. xi.

Such remained the law, still overcome, however, by unscrupulous creditors who were many, until the time of Justinian, A.D. 533. A curious practice then arose, of having different rates of interest for different classes of society. The merchant had generally to pay some 2 or 3% more than the person who required money for his personal use; this was probably on account of the great risk run by merchantmen in those hazardous times. The Roman officials and all in high authority paid a still less rate, generally about 4%. This differentiation continued down to the time of the earlier canonists, who regulated the rate according to the occupation and social position of the borrower.[1]

Before leaving this part of the subject, there were several species of obligation introduced into Roman law and afterwards adopted by the Canonists, concerning which we wish to say a word, e.g., the claims involved in *Mora*. We have already mentioned that Plato conceded the charging of interest or usury in cases where the person ordering a commodity failed to pay for the same within a specified time. Such delay in the discharging of a lawfully contracted debt was known in Roman law as *Mora*,[2] and even where interest was not otherwise collectible a creditor could insist upon a certain premium being paid for *Mora* subject to the "discretion of the judge."[3] This suggested that the rate of the increase so charged should be adjusted according to the inconvenience suffered by the creditor. In Canon law this was known as the doctrine of *Lucrum Cessans*. The other doctrine which also appears in Canon law was that of *Damnum Emergens*, in which case the debtor not only had to pay the principal and the adjudicated *Mora*, but also became responsible for any consequential loss to the creditor.[4]

Turning now to the middle ages we find the Church taking no uncertain stand regarding the question of the morality of the charging of interest.

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1. Hunter's *Roman Law*, p. 147.
2. *Institute of Justinian*—Sandars—p. 325.
3. *Digest*, 19, 1, 49, 1.
4. Canon Law. Palgrave's *Dictionary of Political Economy*.

After the barbarian invasions of the Roman empire had ceased, and "the old order had given place to the new," we find monasteries springing up in all parts of western Europe. Many of them were seminaries and universities, and so it is not surprising to find the learning of these early times almost wholly confined to the cloister and to the Church. The influence of some centres, however, was limited. In Spain, for instance, there were several schools established by the Arabs in the eighth and ninth centuries, in which the philosophic writings of the ancient Greeks were studied in Arabic, yet these made but little impression upon European thought.

The Church, having assumed the position of judge and arbiter, and even that of law-giver, decreed that certain rules, which had been laid down from time to time and which were first only of a disciplinary character binding on the clergy, should be extended to the laity. These rules were collected as early as the end of the third century, but were finally completed and reduced to something like their present systematic form about the middle of the twelfth century, by a monk of Bologne, named Gratian. This body of rules now became known as Canon law, of which mention has already been made. It consists of citations from Scripture, from the fathers and from the popes, together with commentaries. It formed, according to the Canonists or Schoolmen, as they were sometimes called, one of the two branches of the law of custom, of which the other was civil or Roman law. There was a tendency to study both branches and we find that Bologne was the principal seat at which they were taught side by side. (In many points, of course, they were in conflict.)[1]

By the council of Nicæa, A.D. 325, the prohibition of usury applied only to the clergy, and about a century later it was first extended to the laity. Charles the Great, in the ninth century, included it in his capitularies to western Europe. This practically opened the question as to the morality of usury, although for several centuries the subject was very little noticed in contemporary records. What discussion there was, however, dealt only with the religious doctrine of usury. In the twelfth

1. Endemann's *Studien*.

century there was a marked attention paid to it, owing to the revived study of Roman law and to the development of Canon law. The Church also saw that there was the possibility that its view of the subject might be lost sight of, and so in 1179 it pronounced authoritatively against usury in any form. In 1311, the council of Vienna went even further, and threatened to excommunicate any secular judge who should violate the ecclesiastical doctrine of interest. But these restrictions were not very noticeable owing to the obstacles to commerce and industry raised by the dismemberment of the Roman Empire and the growth of feudalism and petty warfare.

Up to the beginning of the thirteenth century the ban of the Church had been upon all research whether philosophic, scientific, or even economic. But in less than one hundred years we find every class of society in search of knowledge. This change is known as the Renaissance. The Canonists now saw that they had to face the same problems which the ancient philosophers had attempted to solve, and naturally they found Greek philosophy helpful in the task. They therefore defended their views of usury by such arguments as Aristotle's assertion of the barrenness of money (which we quoted above); the "natural doctrine" that the selling of an article implied the selling of the use of the article; property lent became the property of the borrower for which no remuneration could be charged; and lastly, interest was a "hypocritical price" charged for the common good time. Against these arguments advanced by the orthodox party, we find many counter statements, but the consensus of opinion was that interest was a "parasitic profit" and not a "just reward."[1]

The rise of the mendicant and preaching orders, both of them vowed to poverty, gave a fresh impulse to the effort to lessen the evils of usury; they also had a powerful effect upon public opinion, so that in the fourteenth and fifteenth centuries secular legislation follows ecclesiastical in relation to usury.

Up to this time the Church courts, owing to their jurisdiction over wills and intestate succession, as well as to their

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1. Böhm-Bawerk, *Capital and Interest*, pp. 18-23.

influence upon the religious life of the people, had been indirectly able to force their will upon nearly all Catholic countries, but during the fourteenth and fifteenth centuries many things arose in connection with the Church that greatly lessened its rigidity in the matter of interest. So from this time onward the opposition to usury comes from the people rather than from the councils of the Church.[1]

Now that we have dealt in general outline with the attitude of the Church and ecclesiastical law towards usury, let us notice some of the more important acts relating to usury, particularly in England, and the views of the leading writers and economists that led to the acceptance of interest legislation. In the compilation known as the *Laws of Edward the Confessor*, edited by Granvil in the early part of the twelfth century, forfeiture and outlawry are the penalties said to have been ordained by Edward against usury.[2] William the Conqueror separated the ecclesiastical from the secular courts, and with the gradual introduction of Canon law into the former, cases of usury were removed from lay jurisdiction. The majority of the chief advisers or justiciaries of the Norman and Plantagenet sovereigns were ecclesiastics, many of whom were familiar with, and favourable to, Canon law, and consequently the early policy was against usury.

In 1364, Edward III granted special power to the town of London to deal with those offending against usury, and in 1390, Parliament complained that the practice of usury was by no means suppressed. The ecclesiastics were now far from being in advance of public opinion, for towards the close of this century we find Parliament again complaining, but this time about the laxity of the church courts. In spite of all this hostility in England, and in fact, in all Christendom, money-lending was being carried on by those who were fortunate enough to possess hoards of gold.

The Jews, who, as we have mentioned, were prohibited from carrying on trade or commerce, were a money-lending people, conducting their nefarious business under royal patronage. In such a capacity they were allowed into England by the Normans.

1. Ashley's *English Economic History*, Bk. I., p. 199 et seq.
2. Cunningham's *Growth of English Industry*, Vol. I.

The lending of money in these early times was almost exclusively confined to cases where urgent necessity demanded more money, as for example, the paying of a tax or ransom, the carrying on of a crusade, etc., rather than to cases of a mercantile nature. The demand for money for commercial purposes, at the rate at which money was then lent, was practically nil, and where it did happen to be so employed, it was only in cases of great emergency. Two instances in literature may be mentioned as illustrating when money was generally borrowed: the borrowing of some £27 for the repairing of St. Edmundsbury Abbey, which with another £100 amounted in a few years to £1,200;[1] and the well-known case in the "Merchant of Venice." So while the opportunities of lending under the existing conditions were few, those who did happen to possess hoards of gold were even fewer in number.

Besides the Jews there were the Caursines in the thirteenth century, and the Lombards in the fourteenth century, who lent money principally to those unable to pay the frequent and irregular taxes levied generally in large amounts. The Caursine merchants were allowed to carry on their trade in money on account of the financial aid they gave the popes in their conflict with the Emperor. The Lombards were the agents of the papal taxation, and certain latitude had been given them by the Church.[2]

We see, therefore, that the lending of money at this time had nothing to do with commerce, and the rate of interest extorted bore no relation whatever to the profit of trade, for it was simply determined by the temporary necessity of the borrower, and not infrequently by the scarcity of ready money.

In large centres merchants were often able to get assistance from the guilds to which they belonged, but in most cases temporary partnerships were entered into, in which the partners shared alike the profit or the loss.[3] This presented a way in which a hoard of money could be profitably employed, without incurring either ecclesiastical or popular censure.

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1. Carlyle's *Past and Present*, Bk. II., ch. iv.
2. Ashley's *English Economic History*, p. 200 et seq.
3. *Journal of Institute of Bankers*, 1887, p. 60.

Passing over the fifteenth century we find a gradual change taking place in the sixteenth century; the discovery of America and of the Cape route to the east had greatly stimulated commerce and industry. The stocks of precious metals had largely increased, and a marked development of credit had set in, aided by a class of native money-lenders. These early bankers had generally some other business, such as that of goldsmith, which in many cases was only a blind.[1]

The supply of hoarded money which might seek profitable investment now became so large that the possessors were no longer monopolists, but were willing to lend at far lower rates than formerly. The tendency to lend money in preference to sharing the risks involved in mercantile undertakings is quite apparent in spite of the many stringent laws passed by the Tutors for the purpose of stamping out the growing practice of usury.[2] There can be no doubt as to the failure of these laws in the sixteenth century, whatever may have been their success in former centuries. We here come across the term "Dry Exchange," which pretended that something had passed on both sides, thus escaping the penalties imposed upon the lenders of money. The law was also evaded by certain forms of sale being acknowledged by both parties; frequently the amount which was actually passed between the lender and the borrower would be less than the amount acknowledged, a custom which is well known at the present day; or sometimes a fictitious sale would be made. Besides these, there were the practices sanctioned under the Canon doctrine of *Lucrum Cessans*, and *Damnum Emergens*, which we have already explained.

Henry VIII gradually realized that usury was bound to exist in a commercial country in spite of the most stringent legislation. He first issued general pardons to those engaged in money-lending, and in 1545, after the assumption of ecclesiastical supremacy, passed a statute making 10% the maximum rate of interest. At this date, 1545, practically begins the modern distinction between interest and usury, for a higher rate than 10% was still illegal and carried all the penalties of the old law.

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1. Cunningham's *Christian opinion on Usury*.
2. *Journal of the Institute of Bankers*, 1887, Cunningham.

With the Reformation in Europe there was a general review made by the Reformers of all the ancient dogmas of the Church, and usury naturally came up for discussion. Luther, in his earlier years, was so thoroughly imbued with the scriptural injunctions that he would permit of no deviation from the established position, but latterly he had to confess that usury "was a human failing" and had to be condoned.

The other Reformers, Zwingli, Melanchthon and Calvin held similar views with greater or less reserve. These could not but exercise a great influence upon public opinion, particularly as the practice of taking and giving interest was now firmly established in nearly all the enlightened countries.

The movement started by these men becomes more noticeable as the sixteenth century draws to a close, and in the course of the seventeenth and eighteenth centuries, the combatants belonging to this new school increase in number. Calvin, the French jurist Dumoulin, better known as Molinæus, and Salmasius, each in turn added a certain quota to the arguments used against the old doctrine. Calvin, as the first theologian, attempted to show that the arguments used as authoritative were by no means sound. The "natural" arguments, *e.g.*, the barrenness of money, he proves have little weight. Property, both personal and real, cannot beget its kind, and yet both profit and rent are legal, and therefore why not interest? "Unemployed money is certainly barren, but the borrower does not let it lie unemployed."[1] He concludes that interest must not be wholly condemned, nor yet be wholly permitted. It is reasonable so long as it does not run counter to fairness and charity.

Molinæus, as the first jurist, attempted to justify interest by logical argument. He refuted many of the old Canonical objections to interest. He claimed that the use of money was something independent of the capital sum, and consequently might be sold independently of it.

The writings of these two men remained quite alone for some time. It was a daring step to attempt to controvert doctrines of Church and State, and was bound to involve the writer

1. Böhm-Bawerk, *Capital and Interest*, p. 29.

in endless trouble. The Church endeavoured to stamp out the influence of these Reformers by the most drastic measures, yet the writings of Molinæus were published again and again, and undoubtedly paved the way for Salmasius.

Besold, Bacon, and Grotius all gave contributions on this much debated subject, but in a more or less hesitating manner.

About the middle of the seventeenth century the tide of opinion suddenly changed; a host of writers now sprang up and boldly defended interest with the utmost vigour, and as a result, the Netherlands—then a leading commercial country—completely overthrew the old restraints.

The man who contributed the most to this change was the celebrated Claudius Salmasius, who between 1638-1640, published several works which formed the basis for a hundred years at least, of the theory of interest. Interest, he claimed, was a payment for the use of sums of money lent. Lending belonged to that class of legal transactions in which the use of a thing was made over to another person. Where the use was not paid for, there could be no interest.

Prof. Böhm-Bawerk, a German economist, who has written extensively upon the theories of Interest, says that " as we read these refutations we begin to understand how Salmasius so brilliantly succeeded where Molinæus, a hundred years before, had failed in convincing his contemporaries."[1]

In England there was less literary excitement than in any other country. This can be partly accounted for by the fact that interest became legal long before any theoretic economic doctrine was presented. The growth of commerce and industry had so prepared the way that the theoretical question, whether loan interest was justifiable or not, was never raised. And so the discussions that follow in England are upon the advisability of having a legal rate, and what should be its maximum.

By the Act 37 Henry VIII, already referred to, the question was only temporarily settled. In the next reign, Edward VI's, under the guidance of Northumberland, this statute was repealed and the old policy was again resumed. " No one was

1. *Capital and Interest*, p, 37.

allowed to lend money for any manner of usury to be received above the sum lent," the penalty being forfeiture and imprisonment at the King's pleasure. Mary naturally inclined to the doctrine laid down by the Church of Rome, and so it was not until 1571, under Elizabeth, that the Act of Henry VIII was re-enacted. The preamble to this Act of Elizabeth gives us some idea of the practical results of the preceding Acts of Henry VIII and of Edward VI. It recites that by the Act of Henry VIII the vice of usury, under a maximum legal rate, was well repressed, and especially those devices of sale and shifts of interest; whereas the Act of Edward VI, while prohibiting all interest, led to much dishonest bargaining and to the spread of usury.[1] In 1642, by 21 James I, c. 17, the Act of Elizabeth was repealed, and on account of the general abatement in all values, the legal rate was fixed at 8%. This Act contains a saving clause for the royal conscience in providing that "no word in this law shall be construed to allow the practice of usury in point of religion or conscience."[2]

The principle being now established that the taking of interest was an economic necessity, the discussion continued as to what the maximum rate should be, or whether the matter should not be left to free contract.

Sir Joshua Child in 1668 held that the commercial prosperity of Holland was undoubtedly due to the low rate there, while Sir Wm. Petty and Locke claimed that there should be no fixed rate. Undoubtedly the reduction from 10% to 8% had had a beneficial effect upon English trade, and as several of the principal commercial states of Europe had lower rates it was found to be necessary to make another reduction in the legal rate, which, by 12 Charles II, was fixed at 6%. In Anne's reign for similar reasons it was again reduced to 5%.

In many of the Catholic countries, the prohibition still remained on the statute book in spite of the commercial usages of the time. But we need not trace the history of legislation in these countries; suffice it to say that where legislation had so completely failed, the time was sure to come when even the dead letter of the law would be removed.

1-2. *Bankers' Magazine*, August, 1897. "*Usury*."

There are several economists whom we must at least mention before we speak of the present regulations about interest: Turgot in France, and Adam Smith and Jeremy Bentham in England.

Previous to the time of Turgot, the whole discussion was upon the justice and advisability of loan interest, but with the writings of Turgot is introduced the problem of *natural interest*, that is, the return which capital makes when employed in the production of a commodity. The excess of value of the commodity made over the values of the materials used, constitutes profit, or as economists say, *natural interest*. From Turgot down to the present day, economic writers have busied themselves trying to discover some theory which would justly explain this phenomenon. But this was not Turgot's only contribution to this subject.[1] For several years he occupied the position of Intendant in the Province of Limoges, and during his occupancy of this important office, he procured the removal of all usury cases from the local courts to the council of state, and drew up a memorandum in defence of interest for its guidance.[2] In this way he so affected public opinion in France, that at the Revolution the National Assembly declared interest on loans legal.

Adam Smith, like Turgot and Locke, claimed that a maximum rate of interest was not conducive to the best well-being of the state.[3] But it was left to Jeremy Bentham in his celebrated *Defence of Usury* to finally dispose of those pleas used in favour of a maximum rate. This work, *Defence of Usury*, was a series of letters written about 1787, in which he tried to prove that by the establishing of a maximum rate, the law did not emancipate those in whose favour it was made. Each man should have the privilege of making his own bargain about money, as he is the best judge of his own best interests. Bentham was one of the first economists who were entirely free from the old prejudices against the lending of money at interest.

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1. Böhm-Bawerk, *Capital and Interest*, pp. 61-2.
2. Turgot, *Les Prêts d'Argent*.
3. *Wealth of Nations*, Bk. II., ch. iv., v.

The statute of Anne with certain modifications relating to bills and notes, remained in force until 1854, when all the statutes against usury since 1545 were repealed (17 and 18 Vic. c. 9)—twenty-two years after the death of Bentham.

In Denmark the usury laws were abolished in 1855; in Spain in 1856; in Holland in 1857; in Sweden in 1864; in Russia and the German Confederation in 1867.

In 1880 a new act was introduced for the whole of Germany, but this was modified in 1893. It is now a criminal offence to take advantage of a person in a "necessitous condition" above the established rate in such a way "that the profit is out of proportion to the services rendered."

In England there is an agitation on foot to establish some such law, but so far the committee of the House of Commons on Usury, has failed to make any suggestion. The problem not only involves the fixing of an equitable maximum rate, but if it is to be successfully met it necessitates the laying down of certain rules defining "what is an unfair bargain between two persons both of whom are of age and have their full wits about them."[1]

A word in closing with reference to Canada. In 1853, one year before the abolition of the usury laws in England, the legislature of the Province of Canada repealed the usury laws of Upper Canada, under Act 51 Geo. III, c. 9, and Lower Canada, under Act 17 Geo. III, c. 3, and established 6% as the legal rate in Ontario and Quebec.[2] Contracts and securities were to be void as regards the excess interest. The whole effect of this Act was that a "usurious contract should no longer subject a party to penalty or forfeiture," but that it should be "invalid so far as it stipulates for more than 6%." This Act, however, did not apply to banks, or other corporations authorized to borrow at higher rates.[3]

The Bank Act of 1867 "abolished all penalties and forfeitures for usury as against banks, that may have been in force in any of the provinces." It also provided that a bank could

1. *Bankers' Magazine*, August, 1897.
2. *Revised Statutes of Canada*, chap. 127.
3. MacLaren, *Banks and Banking*, p. 165.

stipulate for and recover any rate not exceeding 7% per annum. This section was re-enacted in the present Bank Act as "section 80," with the additional section, 81, which provides that no instrument held by a bank shall be void or usurious, as regards any of the parties to the instrument, on account of a stipulated rate of interest, and the bank can recover any amount up to 7% per annum.[1]

Up to 1890 there were, in certain provinces, usury laws still in force affecting parties other than banks, but these were all repealed by 53 Vic., c. 34, so that this latter section of the Bank Act, 81, would now seem to be superfluous.

The law in Canada now allows parties to contract for any rate they may see fit, but where no specified rate is mentioned, 6% per annum is the legal rate.

In the last session of the Dominion Parliament a bill was considered for the establishing of a usury law, but the bill was not reported.[2]

W. GRAHAM BROWNE

Toronto, October, 1897

1. MacLaren, *Banks and Banking*, pp. 164-5.
2. *Vide Journal Canadian Bankers' Association*, October, 1897.

INSOLVENCY LEGISLATION

IN view of the manner in which the attitude of the banks towards insolvency legislation is frequently misrepresented by the public press, the Editing Committee of the JOURNAL think it well to reprint here the resolution which was unanimously adopted at the annual meeting of the Bankers' Association at Halifax in 1894, as embodying the views of the bankers on the one debated question of the right of ranking in respect to discounted paper. The resolution was as follows:

"RESOLVED, that the main object of any bankruptcy law should be the discouragement of reckless trading, which produces bankruptcy;

"That the best way to accomplish this object is to render it impossible for a bankrupt to gain any advantage out of his bankruptcy:—

"*Resolved further*, that this Association is not prepared to affirm that a general Bankruptcy Act would be beneficial to the community at large; but should the Government decide to introduce such an Act during the next session of Parliament, this Association should not actively oppose its passage so long as its provisions embody the above principles, and do not unjustly discriminate against the rights and interests of banks:—

"*Resolved further*, that any provision which would compel the holders of negotiable instruments to treat the liability of the parties primarily liable thereon as security for the payment thereof, and to value such alleged security and deduct the amount thereof from the claim made upon the estate of the other parties, would unjustly discriminate against the holders of such instruments, and that any bill containing such provisions should be opposed."

As to the reasons which are put forth by bankers with regard to what is said in this resolution respecting ranking on negotiable paper, we cannot do better than reprint the following Memorandum, which was prepared at the instance of the Executive Council of the Association, when the matter was before Parliament in 1894:

MEMORANDUM

Section No. 62 of the Insolvency Bill as originally introduced, reads as follows:—

"If a creditor holds a claim based upon a negotiable instrument upon "which the insolvent is only secondarily liable, and which has not matured "at the time of proving the claim, such creditor in his proof of claim shall

" set a value upon the liability of the person primarily liable thereon, and the " difference between such value and the amount of the claim shall until the " instrument matures be the amount at which the claim shall be calculated " for the purpose of voting at meetings and other purposes, except the pay- " ment of dividends thereon or collocation in the dividend sheet, but after " the maturity of such instrument the claim shall be calculated for all pur- " poses at the full amount, less any sum paid on account thereof by the " person primarily liable on such negotiable instrument."

As amended it reads—

" If a creditor holds a claim based upon a negotiable instrument upon " which the insolvent is only indirectly or secondarily liable, and which is " not mature or exigible, such creditor shall be deemed to hold security " within the meaning of this Act, and shall put a value on the liability of the " party or parties primarily liable thereon as being his security for the pay- " ment thereof; but, after the maturity of such liability and its non-payment, " he shall be entitled to amend and re-value his security."

The Section should be restored to its original form for the following reasons:—

1. Because in England, where there have been Bankruptcy Acts in force for generations, and from whence the laws of the commercial world relating to bills and notes mainly trace their origin, the law on this subject is substantially the same as contained in Section 62 of the Insolvency Bill, *as introduced by the Government*, viz.: That *for the purpose of voting* the holder of a bill or note not due should place a value upon the liability of the maker and deduct such value from his claim against the estate of the endorser, but *for the purpose of ranking he should make no such deduction.*

The following is the language of the Court of Appeal in England in a case in which the rights of a bank against an insolvent estate upon Bills of Exchange endorsed by the insolvent were discussed by the Court, viz.: " The " customer was able to say to the banker, if you lend me money you will " have my liability—*I am not giving you property;* you know that if you lend " me money you will have as your security my liability, and also the liability " of A B, C D, and E F, upon these bills; you will have all these liabilities " in exactly the same way as if we had all now joined in giving a joint and " several promissory note, or as if each of us had given a several promissory " note as security for the loan."

These bills or notes formed no lien upon any property belonging to any- one; they represented merely personal liabilities. There is a clear distinction between the case just cited and the case of a creditor holding as security for his claim a mortgage upon the property of the debtor. In the latter case the property of the debtor held as security for the debt may fairly to the extent of its value be treated as a payment received by the creditor from the debtor himself on account of the claim, and it is not inequitable that the creditor should not be allowed to rank upon the estate for the whole amount of his claim, and at the same time give no credit for this *quasi* payment on account; but, in no true sense can the claim which the holder of a note has against the maker be treated as a payment received from the endorser, nor can it be said that by reason of such claim the holder has received security upon the debtor's estate.

2. Because experience as shown by the history of legislation in Canada on the subject proves that the provisions of the original section are equit- able.

The Insolvent Act of 1869 provided that " if a creditor holds a claim " based upon negotiable instruments upon which the insolvent is only " indirectly or secondarily liable, and which is not mature or exigible, such " creditor shall be considered to hold security within the meaning of this " section, and shall put a value on the liability of the party primarily liable

" thereon as being his security for the payment thereof, but after the maturity " of such liability and its non-payment he shall be entitled to amend his " claim and *treat such liability as unsecured.*"

In the Act of 1877, which was introduced by the Hon. Edward Blake, then Minister of Justice, provision was made of substantially the same nature as contained in Section 62 of the Insolvency Bill as introduced by the Government.

3. Because in common law a creditor may sue each and every party to a note for the full amount thereof simultaneously, only deducting such sums as may have been paid on account. In insolvency it is only just and equitable that he should retain the benefit of all his remedies, so that he may obtain his whole debt if possible. The endorser on a note, though styled a person secondarily liable, is a co-debtor with the maker to the holder of a note for its full amount under all circumstances.

4. Because if the rights of any holder, at any time, of a bill or note be curtailed or rendered uncertain, a very serious clog is placed upon the negotiability of the instrument itself, as the transferor for that reason finds it of less value in his hands. By the amendment in question, the rights of a person who discounts a bill or note are in the first place rendered uncertain, for he cannot tell when the drawer or endorser may fail. In the second place, these rights are curtailed at the very time when the curtailment is of the most serious consequence, and when all his remedies should be preserved, viz.: upon the insolvency of a party liable upon the instrument, and to whose estate he is by law and in equity entitled to look for the full amount. The effect of the clause must necessarily be to limit the ability of merchants to discount bills and notes with banks and to receive for them their full commercial value.

To the Council's formal memorandum it may not be amiss to add the following expression from a judgment of Lord Hardwicke, which is quoted with approval in *Byles on Bills*:

" In cases of bills or notes where there is a drawer, and perhaps several endorsers, suppose two of these persons become bankrupts, the holder may prove his whole debt under each commission, and is entitled to receive satisfaction out of both estates, according to the dividends to be made, and keep the bill until he has received satisfaction for his whole debt; for he has a double security, and it is neither law nor equity to take it from him."

CORRESPONDENCE

INSOLVENCY LEGISLATION

To the Editing Committee :

DEAR SIRS,—I take the following clipping from the *Halifax Chronicle :*

"MONTREAL GAZETTE : 'That the most experienced of business men doubt the wisdom of the proposed insolvency legislation of last session is indicated by Mr. Hague's remarks at the Merchants Bank meeting yesterday. That there is a strong public opinion against such legislation, the action of parliament on insolvency bills presented to it, time after time, has shown. That financial men and the general public do not always agree in their grounds of objection is not a matter of much consequence. It is the opposition of all the factors that the favorers of bankruptcy legislation have to overcome, and it looks as if the task was beyond them.'

The plain truth of the matter is that the banks seem disposed to oppose any insolvency legislation which does not practically give them the advantage of preferred creditors. The objections of the business community outside the banks could probably be reduced to a minimum, but while the banks maintain their present stand insolvency legislation seems to be impracticable."

I should like to see what remarks you have to make in reference to the charge brought against the banks of the Dominion generally, and whether there is any justification for a newspaper to make it at all.

I have always understood Mr. Hague's objections as really aimed at and against the discharge of a debtor unless he could prove himself as deserving of it at the hands of his creditors, and not because he was seeking any unfair preference.

Yours truly,

E. D. ARNAUD

ANNAPOLIS, N.S., 21st June, 1898

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[We understand Mr. Hague's attitude to be as our correspondent says. We believe that he has always held that the creditor is the only one who should say whether or not the debtor should be discharged.

Other bankers have objected to insolvency legislation where their rights against the different parties to bills discounted would be interfered with. Their views on this point are clearly set out in the memorandum published elsewhere in this issue of the JOURNAL.—ED. COMM.]

NOTES

A WRITER in a recent number of the *Journal of the Institute of Bankers*, New South Wales, makes a vigorous defence of the Australian banking system, based principally on a contrast which he draws between the growth of banking totals in that colony and in Canada. The comparison has frequently been made, and, as we know, is on the face enormously favorable to Australia. The figures, however, are found to be misleading when consideration is had of the differences in the constitution of the financial system as a whole in the two countries.

It must be remembered that in Australia the functions of our land mortgage companies are performed by the banks in addition to the ordinary functions of banks as generally understood. Besides this, the Government in Australia is not a competitor for deposits, the gathering of the idle surpluses of individuals being left entirely to the banks. A fair comparison between the development of banking in the two colonies cannot therefore be made without allowing for the fact that the Canadian Government and Post Office savings banks have taken $30,000,000 of the people's savings, and without also taking into consideration the volume of the business of the Canadian land mortgage companies.

The figures for the deposits in the banks published in the Australian journal are the following:

Australia	£100,000,000
Canada	36,000,000*

The figures with which those of the Australian bank deposits might be compared in the case of Canada are the following:

Deposits held by the chartered banks	£47,000,000
" " " land mortgage companies.	18,000,000
" " " Gov't savings banks	6,000,000
	£71,000,000

*These figures must have been taken from an old Return.

Then of the £100,000,000 of Australian bank deposits £30,000,000 are British, leaving £70,000,000 accumulated in Australia, while of the Canadian total of £71,000,000 shown above only £6,000,000 (loan company debentures) have been obtained abroad.

But in the grand totals, even as amended, the Canadian figures fall far short of those for Australia, and possibly in these proportions (100 to 71) the relative development of the resources of the two countries is fairly reflected. The explanation of the difference no doubt lies in the fact that while Canada has hitherto been a country almost wholly devoted to agriculture, in Australia the wealth obtained from agriculture has been supplemented by the rich yields of the gold fields. Apparently we are now destined to witness in Canada an era of gold mining extraordinary, and if it is true, on the other hand, as would appear, that the Australian banks have piled up deposits by borrowings abroad at a more rapid rate than the requirements of the country called for, so that development must overtake the supply of capital before any further marked growth of deposits will take place, a comparison a decade hence on the score of banking totals may not be so unfavorable to Canada.

—

Russia's recent change to the gold standard is an event of the first importance in the world of finance, since it must have the effect of removing farther into the realm of improbabilities the fulfilment of the hopes of bimetallists. The change has apparently been carried into effect on lines carefully calculated to avoid difficulty and confusion as well as injustice to individuals.

The silver rubles are hereafter to be subsidiary coinage upon a permanent parity with the gold rubles, at the rate of one and one-half of silver to one of gold, at which rate all contracts entered into before the date of the new law, are to be payable. Thereafter all contracts, unless a specific agreement to the contrary is made, will call for payment in gold rubles.

The following account of the reform effected is given by the financial agent attached to the legation at Washington :

According to the former laws of Russia, the monetary unit was the silver ruble containing 18.02 grams of pure silver. Besides silver coins, there were

circulating as currency gold coins of various denominations, five and ten rubles, containing, according to the law, 1.161 grams of pure gold for every ruble, and the State credit notes issued by the State Bank of Russia. Silver was the legal tender for the payment of taxes and duties to the Government for an unlimited amount. All State credit notes were issued by the State Bank, which was the only credit institution having the privilege of issue. The whole property of the State was a guarantee for the exchange of notes for coin, and each note contained the express stipulation that it was recognized at par with silver as legal tender for payment of taxes and dues to the Government.

Up to the year 1854 gold, silver and credit notes circulated at par. In that year began the Crimean War, the heavy expenses of which, together with those of the war of 1877 and 1878, and other political and economic events, compelled the Government to suspend the exchange of notes for coin. The suspension lasted nearly forty years, bringing to the country all of the evils of an inconvertible currency and arresting its economic development.

The Government decided to make a great financial effort. Its expenses were curtailed, the revenues increased, and the deficit in the State budget eliminated. This policy enabled the Government in fifteen years to accumulate a large reserve of gold—more than 1,200,000,000 rubles. This was obtained through foreign loans and democratic production, and it resulted in bringing the national credit to such a position that, instead of borrowing at 6 per cent., as was the case fifteen years ago, it was possible at the close of the period to get gold at 3.2 per cent. Having accumulated a sufficient amount of gold to resume specie payments, and the expenses and revenues of the Government having been so regulated as to result in a surplus instead of a deficit, the Government undertook to deliver the country from inconvertible currency.

The first question to decide was what would be the new unit of currency. The silver ruble had been, but the value of silver had declined so much since the monetary laws of Russia were established that the value of pure silver contained in a coin of one ruble, expressed in gold, was only 45 copecks, instead of 100, and the value in gold of a credit ruble was 66 2-3 copecks. Silver rubles being the standard, the Government had the right to declare the exchange of paper rubles at par with silver, but the exchange at such a rate would have fixed the silver standard in the country, and would have brought a great financial loss to all creditors.

In consequence of constant fluctuations in the price of silver, and the practically unlimited amount of that metal which can be produced at low cost with improved methods, silver was considered by the Imperial Government as entirely unfit to be used as the monetary unit, and therefore gold was accepted—it being regarded as the only metal least subject to fluctuations of value, and recognized as such by the leading commercial nations of the world. It was decided at the same time to take silver only as a subsidiary metal for the minor coins. In redeeming the credit note it was decided to give it the value in gold which it had in the average during the last three years in commercial transactions; that is, 66⅔ copecks, making it two-thirds of the value of the former gold ruble. If the credit notes had been made exchangeable for gold at the value of silver rubles (forty-five copecks in gold), which the Government had a perfect right to do, there would have been a great loss to creditors. If the notes had been made exchangeable for gold at the value of former gold rubles (one hundred copecks) there would have been a great loss to debtors, besides a disturbance in the productive powers of the country.

The imperial ukases of January 3, August 26, and November 14, 1897, framing into a law these principles, have definitely settled the currency question in Russia. Gold will henceforth be the sole standard of value, and the

new unit of currency will be a ruble containing 0.7742 grams of pure gold, equal in value to 51.45 cents in United States gold. Silver will be issued for subsidiary coins only, and one ruble will contain 18.02 grams of pure silver, as heretofore. The State Bank of Russia will be, as heretofore, the only credit institution which will have the right to issue State credit notes, exchangeable at par with gold in the State Bank and all its branches. It may issue such notes to an unlimited amount. Both gold and credit notes are made legal tender to an unlimited amount.

The issue of the credit notes by the State Bank, if needed by the expansion of commerce, will be so regulated that the amount of outstanding notes will not be allowed to exceed by more than 300,000,000 rubles the value of gold coin and gold bars deposited in the State Bank for their redemption. The amount of outstanding State credit notes on 5th December last in bank and in circulation was 1,068,000,000 rubles, and the amount of gold in coin and in bars in the bank was 1,160,000,000 rubles. The exchange of State credit notes at par with gold is guaranteed, in addition to the gold reserve, by the whole State property (about 600,000,000 acres of forest and 15,000 miles of railroads, besides Government lands, etc.). Silver in the State Bank will not be included in the metallic reserve of the bank for the purpose of redemption.

Silver has been coined to the amount of 40,000,000 rubles, and the character of the legal tender of the silver rubles has not been changed in the recent laws. Until it shall be decreed otherwise, silver coins will be a legal tender for all taxes and dues to the Government in an unlimited amount, but not so between private individuals.

The plan of currency reform adopted does not concern in the least the creditors of the imperial Russian Government, as all loans and interest will be paid, as usual, in the money in which they were contracted—that is, in francs, pounds sterling, dollars, marks, florins, etc.

—

"In the colonies banking accounts can be opened for almost a nominal deposit, but in England, and we might say in Europe generally, a substantial deposit is required before a bank will undertake to do a large amount of book-keeping for the convenience of a customer whose account may often prove to be not worth having. In Perth, W.A., the leading banks now make a charge of 10s. 6d. for opening a current account, and a further charge of 10s. 6d. each half-year for continuing the same. These charges will only be made when the credit balance of the customer falls below £50. We think that anyone who carefully thinks out the question will be satisfied that the charge is a fair one, and that unless such a charge is made, numerous small accounts, which are barely kept in credit, must be a nuisance rather than a profit to a bank. The bank in the first place finds a pass-book, then it finds a cheque-book, for the total cost of a cheque-book goes to the government for duty,

the printing being done at the cost of the bank. This is not all, as the customer has two, three, or more folios in the ledger, according to the amount of business he transacts, and this does not include clerical work. It would be seen at once that small accounts, in which the credit balance is just maintained, and only just, cannot prove remunerative, and the wonder is that the banks have so long tolerated them without charge."—*Journal of the Institute of Bankers of N.S.W.*

QUESTIONS ON POINTS OF PRACTICAL INTEREST

THE Editing Committee are prepared to reply through this column to enquiries of Associates or subscribers from time to time on matters of law or banking practice, under the advice of Counsel where the law is not clearly established.

In order to make this service of additional value, the Committee will reply direct by letter where an opinion is desired promptly, in which case stamp should be enclosed.

The questions received since the last issue of the JOURNAL are appended, together with the answers of the Committee:

Cheque Payable to "Order"—Right of Bank to demand Payee's Endorsement

QUESTION 134.—John Jones gives a cheque on the Bank of Montreal, Toronto, payable to C. Smith or order. Mr. Smith presents the cheque for payment, but refuses to put his name on the back. Can the bank, who know him to be Mr. C. Smith, refuse to cash the cheque without his endorsement?

ANSWER.—We are of opinion that a bank on which a cheque is drawn is entitled to have the payee's endorsement placed on the same before paying it, to serve as a receipt or acquittance for the money. We base this view on the well understood practice of banks, which amounts we think to a contract with the customer, (*a*) that it will pay out money received for credit of a current account, as the customer may instruct, provided it receives a proper discharge for the payment, and (*b*) that it will furnish the customer with a proper voucher for any money paid on his account.

Looked at in either way it is clear that a cheque needs to be endorsed by the payee in order that the voucher may be in itself a complete document. The case differs altogether from that of an ordinary debtor who is bound to find his creditor and pay him the debt, and is not entitled to a receipt, but must him-

self preserve such evidence as he can of the payment. The bank is not under any liability to the person presenting the cheque, and whatever contract exists with the drawer is certainly on the lines suggested above.

Identification of Payee of a Cheque

QUESTION 135.—A stranger presents a cheque to a bank on which it is drawn, but not being known, the bank require identification. The party refuses on the ground that it is the place of the bank to satisfy themselves as to his identity, and not his to prove it to them. Who would have to go to the trouble, the bank or the stranger?

ANSWER.—We replied very fully in the JOURNAL of October, 1896, with respect to the rights of a party to payment without identification. (See Question 43.)

Cheque payable to "Bearer" endorsed to "Order"

QUESTION 136.—A cheque payable to John Smith, and properly endorsed

"Pay to bearer
John Smith"

is subsequently endorsed,

"Pay to the order of Peter Jones
A.B.C."

The Bank on which it is drawn pay the cheque without the endorsement of Jones,—probably an oversight—but defend their action on the ground that the endorsement of Smith makes the cheque payable to bearer, and that no subsequent endorsement can change it. Were they right?

ANSWER.—With regard to a cheque which has been made payable to bearer by endorsement, and then by subsequent endorsement made payable to order, before the Bills of Exchange Act was passed in England the law there very clearly was that a bill so endorsed remained payable to bearer, notwithstanding subsequent endorsements; provision was however made in the Act (sec. 8, sub-sec. 3), which was intended to alter the law in this respect. Chalmers, who framed the bill, says that this section was intended to bring the law into accordance with the mercantile understanding, by making a special endorsement control a previous endorsement in blank.

This sub-section does not appear to have ever been judicially interpreted, and it does not seem to clearly negative the idea that a bill may be payable to bearer under such circumstances as you mention, for it does not necessarily follow that

the converse of sub-section 3 is true. We have not been able to find a case bearing on the point, but in view of the explicit declaration of Chalmers we should think it very doubtful if the position taken by the bank you mention could be sustained.

Joint Stock Companies—Limitation of Borrowing Powers

QUESTION 137.—The amendment to the Company's Act passed by the Dominion Parliament last year says that "The limitation on the borrowing powers of the company shall not apply to or include moneys borrowed by the company on bills of exchange or promissory notes drawn," etc., etc. As a cheque is a bill of exchange within the meaning of the Bills of Exchange Act, would not a bank be justified in advancing money to a company in the form of an overdraft, provided always that they had the account covered before surrendering the cheques?

ANSWER.—We do not think that the amendment to the Company's Act respecting the limitations of the borrowing powers of joint stock companies would cover an overdraft; that is not borrowing on a bill of exchange, in the sense referred to by the Act. Although an overdraft is created by the company drawing cheques (which are bills of exchange) upon the bank, they cannot be said to be borrowing on these cheques, because when a cheque for which there are no funds is paid the amount thereof becomes a direct loan to the company, and the cheque plays no further part in it.

Notice to Limited Company—"Ltd." Omitted from Address

QUESTION 138.—In sending a notice through the post to a "limited" company, would the omission of "Ltd." from the address on the envelope affect the legality of the notice?

ANSWER.—A notice addressed to a joint stock company, with the word "limited" omitted from the address, would nevertheless be a good notice.

Warehouse Receipts given under Ontario Mercantile Amendment Act

QUESTION 139.—A private banker acquires security on wheat in the owner's possession, by a warehouse receipt which is valid under the Ontario Mercantile Amendment Act. The private banker thereupon endorses the receipt to a chartered bank as security for an advance. Is the bank's security good, and, if not, how can it be made good?

ANSWER.—The bank would not, in such a case, acquire any rights in the wheat. It can only get security on goods in the owner's possession in the manner authorized by the Bank Act. If the owner in the case mentioned were a person authorized to give security under Section 74, the bank could make him a direct advance, on the endorsement or guarantee of the private banker, and take direct security under Section 74.

Paid Cheques

QUESTION 140.—Has a bank a legal right to retain paid cheques?

ANSWER.—In the absence of any special agreement, we think the customer is entitled to receive back his paid cheques, on giving the Bank a proper and sufficient acknowledgment of the state of his account.

Accommodation Endorsements

QUESTION 141.—A. draws a bill to the order of a bank, and C. endorses it in order that A. may be able to negotiate it with the bank. The bank discounts the bill, which is dishonoured at maturity and duly protested.

(1) Can the bank recover from C.?

(2) Can the bank's endorsee recover from C.?

ANSWER.—The principle involved in this question is a very important one, and as it was presented to us by two or three correspondents we thought it best to obtain an opinion from MR. LASH, which is as follows:

The impression derived from the various cases upon the subject, on a first reading, is that the cases are in conflict, and that the result of the whole is that the payee of a promissory note or the drawer of a bill of exchange cannot under any circumstances maintain an action against an endorser founded upon the instrument itself; but a more careful reading of the authorities will show that no such absolute rule can be deduced from them, and that, properly construed, the cases are not really in conflict, and that, although some remarks of some Judges in some cases would appear to conflict with the decision in other cases, yet the decisions in all the cases and the principles embodied in those decisions are fairly reconcilable. The following rules or statements of the law are clearly laid down:—

(1) That, *in the absence of evidence to the contrary*, the liabilities *inter se* of the maker and endorsers of a note, or the drawer, acceptor and endorsers of a bill, must be determined according

to the ordinary principles of the law merchant, whereby the acceptor and drawer of a bill, or the maker and first endorser of a note, are liable to the subsequent endorsers.

(2) That the whole circumstances attendant upon the making, issue and transference of a bill or note may be legitimately referred to for the purpose of ascertaining the true relation to each other of the parties who put their signatures upon it, either as makers, acceptors, drawers or endorsers, and reasonable inferences derived from these circumstances are admitted to the effect of qualifying, altering or even inverting the relative liabilities which the law merchant would otherwise assign to them.

(3) That the circumstances attendant upon the making, issue and transference of a bill or note may be shown in evidence for the purpose referred to, whether the action be upon the bill or note itself or upon a collateral agreement between the parties.

Section 56 of the Bills of Exchange Act declares that "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."

By Section 88 it is provided that the provisions of the Act relating to bills of exchange apply with the necessary modifications to promissory notes, the maker of the note being deemed to correspond with the acceptor of the bill, and the first endorser of the note being deemed to correspond with the drawer of an accepted bill payable to the drawer's order.

By Section 29 a holder in due course is defined to be a holder who has taken a bill, complete and regular on the face of it, under the following conditions, viz.: (*a*) That he became the holder of it before it was overdue and without notice that it had been previously dishonoured, if such was the fact; (*b*) That he took the bill in good faith and for value, and that at the time the bill was negotiated to him he had no notice of any defect in the title of the person who negotiated it.

Sub-section (*g*) of Section 2 of the Act declares that "The expression 'holder' means the payee or endorser of a bill or note who is in possession of it, or the bearer thereof."

Referring to the question asked, and assuming that the attendant circumstances were duly proven, and that the bank discounted the bill in due course, the answer is that the bank can recover from C. Assuming also that the bank's endorsee becomes a holder in due course, the answer is that he can recover from C. In order to make the bank's title or that of its endorsee technically regular, the bank, being named as payee of the bill, should endorse it without recourse, although it is by no means clear that this is necessary.

Under the attendant circumstances C would be an endorser; the bank or its endorsee would be a holder in due course within the definition of Section 2, sub-section (*g*), and section 29 of the Act; and under Section 56 C, if not technically an endorser, would be liable as an endorser and be subject to the provisions of the Act respecting endorsers.

Although, if the attendant circumstances be clearly shown, and the true relation to each other of the parties who put their signatures upon the bill be thereby ascertained, the payee would be entitled to recover against an endorser, yet the practice of discounting bills drawn like the one referred to in the question should be discouraged, as, owing to death, defective memory, false swearing and other reasons, it may not be possible for the bank to prove all the circumstances necessary to enable it to maintain the action, and before discounting a bill the bank should see that it is so drawn that if an action be brought upon it it will not be necessary to do more than prove the signatures so as to establish, prima facie at all events, the liability of the parties proceeded against.

For convenience of future reference the following cases are noted, all of which have been considered in connection with the foregoing:—*Steele v. McKinlay*, L.R. 5 A.C., 754; *Wilkinson v. Unwin*, L.R., 7 Q.B. Div., 636; *McDonald v. Whitfield*, L.R., 8 A.C., 733; *Bishop v. Hayward*, 4 T.R., 470; *Wilders v. Stevens*, 15 M. & W., 208; *Smith v. Marsack*, 6 Q.B. Reports, 486; *Morris v. Walker*, 15 Q.B. Reports, 589; *West v. Bown*, 3 U.C. Q.B., 290; *Ayr Plough Co. v. Wallace*, 21 S.C.R., 256; *Duthie v. Essery*, 22 Ont. A.R., 191; *Pegg v. Howlett*, 28 O.R., 473; *Robertson v. Davis*, 27 S.C.R. 571; *Wells v. McCarthy*, 10 Man. L.R., 639; *Watson v. Harvie*, 10 Man. L.R., 641.

Lost Deposit Receipts.

QUESTION 142.—In the case of a lost deposit receipt, should the depositor be required to furnish a bond before paying the amount?

ANSWER.—A deposit receipt is not transferable; the bank do not incur any responsibility to any party, other than the depositor himself, who may hold the document, unless the bank are notified of a transfer of the claim. It is therefore safe enough to pay a lost receipt without a bond.

Alteration of a Bill—Completion of a Bill

QUESTION 143.—Adverting to Answer 91 respecting the alteration of a bill, if a cheque is presented to a bank by a third

party, signed by the depositor in blank, and accompanied by the pass-book, the party presenting it stating that he was authorized to fill up the cheque for the amount of the balance, would the bank be justified in paying over the balance, on the cheque filled up by him, or by the bank at his request?

ANSWER.—This is, of course, not an alteration, but comes under section 20 of the Act, which authorizes any person in possession of a bill which is wanting in any material particular to fill up the omission, provided this is done within a reasonable time, and strictly in accordance with the authority given.

In the case referred to the bank in paying the cheque would be protected if the authority given by the drawer to the person presenting the cheque empowered him to fill in the amount. If this should prove not to be within that authority, the cheque could not be charged to the customer's account.

Whether the bank should take the responsibility in any particular instance is a question of expediency. No doubt in the vast majority of cases the transaction would be perfectly regular, and the surrounding circumstances generally make the bank's course clear, but if it pays such a cheque it pays on the faith of the representations made by the party presenting it, and takes the risk of any fraud that may be involved.

Renewal Note—Original Note Bearing an Endorsement Retained

QUESTION 144.—Would an insolvent's estate be discharged if a bank renewed a bill endorsed by the insolvent, taking the maker's own note and retaining and attaching thereto the original bill?

ANSWER.—The endorser would not be discharged under the circumstances mentioned in your question provided there was an understanding that the endorser's liability was to be reserved; the retention of the original bill indicates that there was such an understanding. See answer to question 79 in the issue of the JOURNAL for October last.

Unpaid Bill Charged to Endorser's Account with Notice to Him, but Without Protest

QUESTION 145.—Is not a banker justified in charging an unpaid bill to the endorser's account, provided there are funds, without first protesting it, if he notifies the endorser by mail that he has done so, and would not such notice act as a notice of dishonour within the meaning of the Bills of Exchange Act?

ANSWER.—The bank would certainly be entitled to charge the endorser's account without protest with a dishonoured bill, provided it notifies the endorser that the bill is dishonoured. Whether or not the notice mentioned was sufficient for this purpose would depend on its terms. If the letter is so framed as to indicate that the bill has been dishonoured by non-payment this notice is sufficient. (See section 49, sub-sec. E, Bills of Exchange Act). It is probable that a mere statement in the letter that the bill had been charged to the customer's account would be held to sufficiently indicate its dishonour.

Insurance on Hypothecated Goods

QUESTION 146.—A mercantile house hold a policy of insurance covering goods in their possession, "their own or held in trust or on commission, for which they are responsible in case of loss." The owner of certain goods stored with them takes their warehouse receipt for these goods, for the purpose of borrowing on the same and they assign to him this policy of insurance with the written consent of the company. If he borrows on the warehouse receipt from a bank and makes the loss, if any, under the policy payable to it, would the bank's position as to the insurance be in order?

ANSWER.—The transfer of the policy in the way described, if properly done, would, we think, make it a contract of insurance covering only the goods mentioned in the warehouse receipt, provided these are part of the goods which the policy originally covered, and the position of the owner and the bank would be the same as if the policy had been originally taken out by the owner, on his own goods alone. Under the wording quoted the goods might have to be goods for the loss of which while stored with them the mercantile house would be responsible, to bring them within the policy.

While we think the case put by our correspondent is fully covered by this answer, we wish to say that in questions respecting fire insurance, very much depends upon the facts and the exact wording of the policies, endorsements, etc., and general questions may not describe these with sufficient exactness to ensure a correct reply.

Place of Payment of a Bill—Blank form of acceptance showing place of Payment

QUESTION 147.—In making drafts on their customers it is the habit of some houses to provide a blank acceptance on the draft, naming the place of payment, ready to be signed by the drawee.

1. Is this form for the acceptance an integral part of the bill, or is it to be regarded as placed there for the drawee's convenience, subject to alteration by him if the place of payment is not to his liking, or to be ignored if he thinks fit?

2. A draft on "A.B., 145 C. Street, Montreal," has across the end the following:

Accepted payable at the
Bank of A., Montreal
5th May, 1898.
(Signature).....

The drawee writes an independent acceptance below this form as follows:

Accepted, 5th May, 1898
A. B.

Would this bill be payable at the Bank of A or at 145 C. street?

ANSWER.—1. We think the form for the acceptance cannot be considered an integral part of the bill, and that it may be altered or ignored by the drawee.

2. We think that as the drawee was not bound by the form for acceptance described in this case, and as he clearly ignored it, and showed by his act that he was giving a separate and independent acceptance, the terms of the latter must govern. The bill would therefore be payable at the address given.

Canadian Bankers' Association Rules respecting Endorsements

QUESTION 148.—1. Do the following endorsements require the guarantee of the depositing bank under the rules?

a. John Smith
p. Tom Jones
b. The Winnipeg Marble Company
William Brown

In the second case there is no incorporated company; Brown carries on his private business under the name quoted.

2. If endorsements such as these are passed without the guarantee, what is the position of the paying bank?

ANSWER.—1. Both of the above endorsements must be regarded as irregular within the terms of the rules. (See last part of Rule 2, and Rule 3.) They do not in either case indicate the authority of the person signing.

2. If endorsements such as those mentioned in the question are accepted by the paying banks without a guarantee, they are protected under the amendment to the Bills of Exchange Act of 1897, should they prove to be forged or unauthorized. Their

rights against the depositing bank are somewhat differently conditioned from the rights they would have under a guarantee given in accordance with the rules; the chief difference is that the right under the Act is conditional on proper notice being given as required by its terms.

In discussing these Rules in his article printed in the JOURNAL for January, 1898, Mr. Lash explained the reason for treating such endorsements as irregular. We understand that there was a great deal of discussion before the principle was adopted by the committee. It was urged that no rule should be made which would bar out legal endorsements which these admittedly were, but the conclusion of the committee as a whole was in favor of this rule, as tending to greater care and regularity. Some of the reasons urged are quoted by Mr. Lash in the article referred to. (See p. 194.)

Rights of the holder of a Cheque against the drawee Bank

QUESTION 149.—In your reply to Question 127 you say that the acceptance by banks of cheques for part of their amount would as a practice be open to objection. Would you kindly state the principal objections?

2. You also imply that to give the holder a right to demand payment of part of the cheque when there were insufficient funds for the whole "would involve serious consequences." In Girouard's "Bills of Exchange Act, 1890," p. 260, the case of *Gore Bank v. Royal Canadian Bank*, 13 Ch. 425, is quoted: "If a bank refuse to pay a cheque, having sufficient funds of the drawer for the purpose, the holder can compel payment in equity." If this Rule holds good it might be in the interest of all to extend it to a case of "insufficient funds."

ANSWER.—1. The chief objection is the trouble and risk of error involved, for which the trifling profit derived from the class of accounts where such things might happen would never pay.

2. The remark cited is contrary to the well-recognized rule, that until a cheque has been accepted the holder is not in privity with the bank, and no one can proceed against it in connection with the cheque except the drawer. It had nothing to do with the merits of the case, but was a mere passing remark.

As to the consequences of a change in the law, the following among other considerations may be mentioned:

If the holder had a right to demand payment it would involve a duty on the part of the bank to pay on his demand if it held funds, and a consequent responsibility to him for any error in refusing payment. At present, whether the bank pays

a cheque or refuses it, if it refuses one cheque and immediately afterwards pays another, if it overlooks a credit, or charges the customer with a wrong debit, the matter is one which affects only the bank and the customer, and a reasonable and friendly settlement of any mistake is in practically every case assured. It needs little imagination to forecast the difficulties that would arise if the bank had to reckon with a holder who was (or thought he was) unjustly treated. To give such a right to holders of cheques for which there are insufficient funds is open to other practical objections, such as the labor and risk of error it would involve, and the endless disputes which might be expected to result.

Certification of a cheque by the drawee bank—Right of the bank to cancel its acceptance after delivery

QUESTION 150.—A cheque which has been dishonoured is handed by a bank to a solicitor for collection. On presenting it at the bank on which it is drawn, he is informed that the party has just made a deposit, and payment is offered. He has the cheque marked good, however, and takes it to his own bank, who decline to receive it because it still appears to be the property of the bank for whom he is acting. He returns to the drawee bank and asks them to pay it, whereupon they cancel the acceptance, and inform him that it was given under a mistake; that although the party made a deposit it was to cover a previous overdraft, and there were still no funds. Had the bank a right to cancel their acceptance?

ANSWER.—The question is asked with reference to a cheque drawn on an American bank. In the United States it seems to be admitted that under such circumstances the bank would have a right to cancel the certification of the cheque. See *Daniel on Negotiable Instruments*, 4th edition. The passage is too long to quote, but is to the effect that the certification of a cheque may be revoked provided no change of circumstances has occurred which would render it inequitable for such a right to be exercised.

The point seems never to have come up in a Canadian court, and here it may be urged against this view, that an acceptance completed by delivery is irrevocable, and that the ordinary mode in Canada of marking a cheque good is in effect an acceptance. It is not clear, however, that the same results would not follow here as in the United States.

Bills of Lading as Security

QUESTION 151.—Please consider the following points connected with grain shipments from the interior of Ontario to millers and grain dealers at the centres. As the grain has usually to be paid for with money advanced by the shipper's bank, I shall be glad if you will give your opinion as to the propriety of the modes of business described.

1. The purchaser of the grain sometimes sends a form of receipt to be signed by the railway company, in which he is described as the shipper.

2. (*a*) Sometimes in addition to the purchaser being named as the shipper, the goods are shipped to the order of his bank. (*b*) In other cases, where the real shipper's name is given, the grain is shipped to the order of the purchaser's bank. (*c*) In a third class of cases the purchaser asks that the goods be shipped in his name as shipper, and to his order.

Query, 1. Would a bank advancing money to its customer against the lodgment of bills of lading for grain purporting to be shipped by another party, but to the order of the lending bank, get proper security on the grain?

2. What would be its position in the three cases mentioned in the second clause?

3. Would the shipping of the grain in the purchaser's name deprive the true owner of the right of stoppage in transitu?

ANSWER.—This question cannot well be answered in any general way. The conditions might differ in almost every case, and an opinion could only be formed on consideration of the exact facts involved.

It may be said generally that if, notwithstanding the form of the receipts, the bank's customer is the true owner of and entitled to control the grain, he can, by proper means, give the bank valid security. The security would not, in any of the cases mentioned, be straight and free from ambiguity, and we think that the bank should not accept such security. As to question No. 3, we do not see how the real owner could control grain in the hands of a carrier, which he has stated to be the property of someone else.

We think the mode of doing business indicated by these questions open to serious objections, unless both the owner of the grain and the bank have a clear understanding with the purchaser of the grain, and with his bank, if the latter is brought into the question.

LEGAL DECISIONS AFFECTING BANKERS

NOTES

Bankers and Trust Accounts.—A recent judgment of the Chancery Division, England, in a case arising out of the wrongful application by a trustee of trust moneys deposited with a bank, affords the text for an article in *The Solicitors' Journal* covering an interesting discussion of the law relating to the responsibilities of banks in connection with trust accounts. The article contains a concise statement of the facts in the case alluded to, and we reprint it following:

The judgment of Byrne, J., in the recent case of *Coleman v. The Bucks and Oxon Union Bank*, deals with a question of considerable importance in relation to the law of bankers. Frequently a banker has no knowledge of the equities attaching to moneys which come under his control, and he cannot be held liable for any breach of trust which is committed in regard to them. On the other hand, where he has distinct notice of the trust and concurs in an appropriation of the moneys in breach of trust—especially where the appropriation is made for his own benefit—the ordinary rule applies, and he is bound to make good the fund to the *cestui que trust*. But the above case presented special features which made it difficult to place it readily in either of these categories.

In 1892 James Gurney was the surviving trustee of the will of Thomas Bovingdon, and as such trustee was entitled to a sum of £1,411, the proceeds of a mortgage which was paid off in that year. The money was received by Messrs. Parker & Wilkins, of High Wycombe, as Gurney's solicitors, and, in accordance with a direction given by him, was paid by them into the High Wycombe branch of the London and County Bank with instructions to that bank to credit James Gurney's trust account at the Chesham branch of the Bucks and Oxon Union Bank. In due course the Chesham branch was advised by the London and Westminster Bank, the London agents of the Bucks Bank, of the receipt of the above sum, the advice note stating that the money was paid by Messrs. Parker & Wilkins on account of

"James Gurney's Trust." James Gurney had in fact no trust account at the Chesham branch, but he had a private account there, and the manager credited his private account with the £1,411, and on the same day advised him that this had been done. At that date the private account was overdrawn to the extent of £1,694 under an arrangement by which Gurney was allowed to overdraw to the extent of £2,000 against securities deposited with the bank. The trust money was applied by the manager in reduction of the overdraft. No notice was taken by Gurney of the payment in of the trust moneys, although, in addition to the advice received from the bank, he must have known from his passbook, which he was in the habit of receiving once a fortnight, that the money had been placed to his general account. Subsequently he drew further cheques and increased the overdraft again until it stood at about £500. A new arrangement was then made under which Gurney found additional security and was to be allowed an overdraft of £5,000. In 1895 he became bankrupt without having replaced the trust money, and at the date of the bankruptcy there was a considerable sum due from him to the bank.

Under the above circumstances it appears that the manager at the Chesham branch was aware that the money belonged to James Gurney on some trust account, and in his evidence he admitted as much; but, having regard to what he knew of Gurney's position, he did not consider it necessary to make any special enquiries, and he did not consider himself justified merely by reason of the terms of the advice note in opening a new account in Gurney's name. On the other hand, Gurney had the chance of writing at once and requiring the money to be carried to a separate account, and his omission to do this doubtless facilitated the continuance of his private overdraft. In the result, Byrne, J., holding that the bank was not liable to make good the trust money, dismissed the action which had been brought by the trustees of the will of Thomas Bovingdon appointed in Gurney's place.

In the cases in which liability for the misapplication of trust moneys has been imposed on banks, the participation in the breach of trust has been very much clearer than in the present. In *Bridgman v. Gill* a fund was standing in bankers' books to the account of two trustees, and the bankers had notice of the trust. By the direction of the tenant for life alone they transferred it to his account, and thereby obtained payment of a debt due to themselves. They were, of course, liable to make good the fund, and Romilly, M.R., said that the most remarkable thing in the case was that they should have resisted the relief sought. They had not even the authority of the trustees of the fund for dealing with the money, and would have been

liable to them in an action at law. A case perhaps equally clear was *Pannell v. Hurley*, where a trustee had a balance at the bank of £308 on the trust account, and was indebted to the bank to the extent of £72 on his private account and upwards of £250 on a joint trading account. The heading of the trust account showed its nature, and the bankers had otherwise direct notice of the trust. Two cheques of £72 and £236 respectively were drawn by the trustee and were applied in extinguishing the debt on his private account and in reducing the debt on the trading account, the trust fund being thereby quite absorbed. Knight Bruce, V.C., treated the case as free from doubt. "Money," said he, "is due from A to B in trust for C. B is indebted to A on his own account. A, with knowledge of the trust, concurs with B in setting one debt against the other, which is done without C's consent. Can it be a question in equity whether such a transaction can stand? There is nothing more in the case than that." In *Bodenham v. Hoskyns*, a receiver, who had a private account with bankers, and also kept with them his receivership account, of the nature of which they were aware, drew a cheque on the latter account and paid it into his private account, which was overdrawn. Kindersley, V.C., while acquitting the bankers of any design of doing what was dishonest or improper, held them liable to refund the amount of the cheque on the principle that a person who knows another to have in his hands or under his control moneys belonging to a third person, cannot deal with those moneys for his own private benefit, when the effect of the transaction is the commission of a fraud on the owner; and the Court of Appeal supported this decision.

It will frequently happen, of course, that a trustee is a beneficiary or otherwise interested in the trust fund, and is entitled to draw upon it in favor of his private account, and hence it has been argued that the bankers cannot be held liable for any dealings with the fund unless they know the circumstances of the trust. The argument was rejected, however, by Fry, J., in *Foxton v. Liverpool and Manchester District Banking Co.*, where he held that, provided the bank profited by the dealing with the trust fund, it was immaterial whether they knew of the circumstances of the trust or not. In that case a trustee, who had an overdraft which had been the subject of anxiety to the bank managers, drew a cheque on the trust account in favor of his private account. "It appears," said Fry, J., "to be plain that the bank could not derive the benefit which they did from that payment, knowing it to be drawn from a trust fund, unless they were prepared to show that the payment was a legitimate and proper one, having reference to the terms of the trust. It is said that they did not know what the trust was

at that time. That appears to me, I confess, to be immaterial, because those who know that a fund is a trust fund cannot take possession of that fund for their own private benefit, except at the risk of being liable to refund it in the event of the trust being broken by the payment of the money."

The question of the duty of a banker to refuse to honour the draft of his customer on the ground of an intended breach of trust was dealt with in *Gray v. Johnson*, and the rule was laid down by Lord Cairns, C., as follows: "In order to hold a banker justified in refusing to pay a demand of his customer, the customer being an executor, and drawing a cheque as executor, there must, in the first place, be some misapplication, some breach of trust intended by the executor, and there must, in the second place . . . be proof that the bankers are privy to the intent to make this misapplication of the trust funds. And to that I think I may safely add, that if it be shown that any personal benefit to the bankers themselves is designed or stipulated for, that circumstance, above all others, will most readily establish the fact that the bankers are in privity with the breach of trust which is about to be committed." The present case of *Coleman v. The Bucks and Oxon Union Bank* comes near this rule, inasmuch as there was notice of the existence of a trust, and the money was applied in reduction of a debt due to the bank, and apparently it falls within the language of Fry, J., quoted above. At the same time the bank had no real ground for suspicion; their application of the money was tacitly sanctioned by the trustee, on whom lay the duty of giving directions; and the transaction was followed by further dealings with the customer's account, which would have made it impossible to restore the bank to its original position. According to the judgment of Byrne, J., in order to render the bankers liable, it is not sufficient that they are going to derive a benefit from the transaction, they must also have some reasonable suspicion that a breach of trust is intended. Where they are pressing for a reduction of the trustee's private overdraft, or know that the cheque is drawn to meet a specific obligation to themselves, the grounds for this suspicion clearly exist. The present case, however, lacked any such circumstances, and hence the bank escaped liability to make good the trust fund.

Privy Council, England.*

The Molsons Bank v. Cooper and Smith and others†

The appellants lent money on securities to a firm which subsequently failed. Having realized the securities they nevertheless sought to recover judgment for the whole indebtedness, so that they might obtain a larger dividend in the bankruptcy.

Held, that they could not do so.

This was an appeal from a judgment of the Supreme Court of Canada of December 9, 1896, reported in the Journal, vol. iv, p. 322.

The respondents, Messrs. Cooper and Smith, were boot and shoe manufacturers at Toronto, and they had an account with the Molsons Bank. Having applied to the bank for a line of credit, they received from the manager, Mr. Pipon, on June 13, 1891, a letter stating that the board had granted them a line of credit to the amount of $150,000, to be secured by collections deposited. To that letter there was a postscript stating that its meaning was not that the advances should be fully covered by collections, but as near as the respondents could. The respondents stopped payment in August, 1893. In the interval the bank had made large cash advances to the firm in the way of discount of their promissory notes. The respondents from time to time handed the bank large numbers of their customers' notes and bills as collateral security for the advances so made. At the time of the firm's failure the bank held their promissory notes to the amount in all of $145,000, all of which they had discounted for the firm. The bank held as collateral security under the letter of June 13, 1891, customers' notes, which they proceeded to realize, and in respect of which, when the action was brought, they had actually received $83,000. The suit was brought for the recovery of the whole indebtedness, $145,000, and the defence set up was payment or satisfaction in whole or in part by the money received by the bank on the collateral notes. Mr. Justice Rose, who tried the action without a jury, gave judgment for the bank for the full amount of the notes sued upon, holding that they were not obliged to

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*Lord Halsbury, L. C., Lords Herschell, Macnaghten and Morris, and Sir R. Couch.

† *The Times Law Reports.*

credit the money in their hands against the notes, but were entitled to retain the fund so realized as a reserve fund, carrying the amount to the credit of a suspense account. The Divisional Court, on appeal, set aside that judgment, deciding that the bank were bound to apply the money in reduction of the respondents' debt, and that it ought to be applied *pro tanto* in payment of the notes sued upon. The bank appealed to the Court of Appeal, which restored the original judgment of Mr. Justice Rose. The Supreme Court, on further appeal, unanimously decided against the bank, the Chief Justice, who gave their judgment, stating that the bank were bound from time to time, as it was received, to apply the proceeds of the collateral paper in reduction of the principal paper. The result was that, instead of being permitted to rank against the estate for the whole of the indebtedness, the bank was only permitted to rank for about $60,000, being the difference between the principal paper and the proceeds of the collaterals. From the judgment of the Supreme Court special leave to appeal was sought and obtained. The object of the bank in not applying the money received by them was that they might prove for their whole debt unreduced by any payments, and so obtain a larger dividend of the money levied under the executions and remaining in the sheriff's hands to be applied on the executions *pro rata* under the Creditors' Relief Act.

The Lord Chancellor, in giving their Lordships' judgment, said they were of opinion that the appeal ought to be dismissed with costs. It appeared that the bank had received at the time the action arose and had realized, in pursuance of the letter of June 13, 1891, sums amounting to $83,000. They brought the action to recover the entire amount said to be due—some $145,000. The suit raised the question, "Were they entitled to treat the sum they had received and realized of the so-called securities as not having been received at all, or were they entitled to recover in respect of the entire amount of their indebtedness?" No such right as they alleged could possibly exist. The bargain was intelligible enough—namely, that an overdraft should be allowed, and that cheques, bills, and securities should be deposited to secure repayment. The intention of the parties was made still more clear by the postscript to the letter: "The meaning of the above is not that the advances shall be fully secured by collections, but as near as you can." It was admitted that $83,000 had been received and realized by

the bank on those collateral securities. As the bank received the money, or turned the securities into money when they received them, it was impossible to say that the indebtedness between them and their debtors was otherwise than diminished to the extent of the money which the bank put into their pockets. For these reasons their Lordships would humbly advise her Majesty that the appeal should be dismissed with costs down to the time of lodging the appeal.

Queen's Bench Division, England

Marshall, Sons & Co. v. Brown, Janson & Co.

Responsibility of a Bank for a report as to a customer's standing.

This was an action tried before the Lord Chief Justice and a Middlesex special jury, for damages for fraudulent misrepresentation under the following circumstances. In March, 1896, the National Skating Palace (Limited), formed to acquire premises known as Hengler's Circus in London, through their agents, Messrs. Tyler and Ellis, requested the plaintiffs to supply them with a vertical engine and some fittings. The plaintiffs asked for a reference as to the credit of the company, and were referred to the defendants as its bankers. The plaintiffs' bankers, the Sheffield Banking Company, Limited, thereupon applied to the defendants, asking them to say whether the company was, in their opinion, trustworthy in the way of business for £100. The defendants replied in a letter dated March 17th, 1896, and marked "Confidential. For your private use, and without responsibility on our part."

Dear Sirs,—We are in receipt of your letter of yesterday's date, and in reply thereto beg to inform you that the company mentioned is very respectable, and in our opinion may be considered quite good for your figures in the way of business.

We are, Dear Sirs, yours truly,

Brown, Janson & Co.

Relying on these statements the plaintiffs supplied the Skating Company with goods to the value of over £80, but it was alleged that the representations were false to the knowledge of the defendants; that at the time they were made the company was heavily indebted and in pecuniary difficulties; and that the

whole of their assets were mortgaged to the defendants, as debenture holders, to the amount of £20,000. The plaintiffs vainly applied to the Skating Company for payment of their account, and in November, 1896, recovered judgment against it, but upon taking steps to issue execution and present a winding-up petition they found that the defendants (who had since acquired further debentures to the amount of £5,000 over the assets, and who held all the first debentures) had obtained the appointment of a receiver and manager of the company's assets on their behalf as debenture holders. They were therefore compelled to abandon their endeavours to issue execution or obtain a winding-up order. They claimed £104 1s. 7d. as damages. It was admitted that, at the time of the writing of the letter of March 17th, the defendants held debentures to the extent of £20,000 to secure a floating charge, and that the amount was afterwards increased to £25,000, but it was alleged that, at the time of writing, the defendants were honestly under the impression that the assets of the company were more than sufficient to cover it. A subsequent investigation of the affairs of the Skating Company showed that, while the bank owned £25,000 debentures, there were £5,000 further debentures issued to other people, and debts to the amount of £34,000 to unsecured creditors. The public had only subscribed £3,000. The account of the company with the defendants was opened in September, 1895, the London and Westminster Bank having been the original bankers. A winding-up petition was presented by a creditor in 1895, but was got rid of by the issue of B debentures in 1896, priority being given, by arrangement, to the defendants' debentures. This winding-up petition was presented before the defendants became the company's bankers. The company worked for the whole season at an average loss of £100 a week. The premises were leasehold at a rent of £1,700 a year. In June, 1896, an attempt was made to realize the debentures by issuing them to the public at 105, secured by the freehold "to be acquired." The money raised was to buy the freehold, redeem the A and B debentures, and to pay off the unsecured creditors. At that time there was a man in possession, but evidence was given that the earnings improved towards the end of the first season, and that there were reasons for hoping that, as the rink

got more widely known, it would pay under better and more economical management. On August 18th, however, the defendants put the matter in the hands of a receiver.

Mr. Walton, in addressing the jury, said that he was not going to take any technical objection, but stand or fall on the single question whether the letter of March 17th was written in good faith. He contended that the bank could not disclose the state of their clients' banking accounts, but might fairly, in March, think that they would be good for £100. Their own treatment of the company showed that they had considerable confidence in its prospects, though they knew that money was wanted for initial expenses, which were heavy. The business was short of capital, but was promising large profits in the future. Evidence having been given that the letter of March 17th, 1896, was written in the honest belief that it was true.

The jury intimated that they had made up their minds in favour of the plaintiffs.

After some discussion,

Mr. Walton said that he would submit to a verdict, but desired to say that the letter, though careless, perhaps, was written with no intention to defraud.

The Lord Chief Justice.—I have a strong opinion in this case. There is no need to cast upon the defendants the slur of a verdict; let a juror be withdrawn and judgment entered for the plaintiffs by consent.

This course was then adopted, a juror being withdrawn and judgment entered for the plaintiffs for £100 and costs.

Queen's Bench Division, England

Altree v. Altree—Staffordshire Financial Company, Claimants*

Bill of Sale held invalid because of the omission of the address and description of grantee.

This was an appeal from the County Court Judge at Staffordshire sitting at Lichfield, who decided that a bill of sale was void, because neither the address nor the description of the grantees, the Staffordshire Financial Company, was given in the bill of sale.

**Times Law Reports.*

The material words of the bill of sale in question were as follows:—"This indenture made the 12th day of March, 1898, between John Altree, of Triangle Farm, Chase Town, in the parish of Hammerwich, in the county of Stafford, farmer, hereinafter called 'the borrower' of the one part, and the Staffordshire Financial Company Limited, hereinafter called 'the lenders' of the other part."

The Court, without calling on counsel for the respondent, supported the decision of the County Court Judge.

Mr. Justice Day said the Bill of Sales Act of 1882, by section 9, provided that a bill of sale should be void unless drawn in the form given in the schedule to the Act. Then, turning to the schedule, it would be found that a blank was left in the form for the address of the grantee equally with that of the grantor. That showed that the address of the grantee should appear in the bill. The objection taken by the County Court Judge was quite right.

Mr. Justice Lawrance concurred.

High Court of Justice, Ontario

The Merchants' Bank of Canada v. Henderson*

A promissory note payable at a particular place need not be presented there at maturity in order to charge the maker, although there are funds to meet it, and the Bills of Exchange Act, 1890, has made no difference in this respect.

The duty of the maker of such a note is not only to have sufficient funds at the place of payment at maturity, but also to keep them there until presentment.

Semble per Armour, C. J.—The only effect of nonpresentation before action, when sufficient funds have been kept at the place of payment, is to disentitle the plaintiff to costs.

This was an appeal from a judgment of the First Division Court of Frontenac, in an action on a promissory note.

The following facts are taken from the judgment of Armour, C. J., in the Divisional Court.

**Ontario Reports.*

The action was brought upon the following promissory note:

KINGSTON, ONT., 17th July, 1895.

"$100,

"One month after date for value received, I promise to pay to the order of D. Fraser, at the office of Donald Fraser, banker, here, one hundred dollars.

"F. G. HENDERSON."

Having the following endorsement thereon:

"D. FRASER."
"Protest waived."
"D. FRASER."

The defendant, the maker of this note, was a farmer and cheesemaker, residing at Pittsburg, about ten miles from Kingston, and the payee of the note was one Donald Fraser, a private banker at Kingston, at whose office the said note was made payable, and with whom the defendant kept a bank account, discounting notes and making deposits with him, and with whom the defendant had arrangements by which he was to meet all his paper, whether he had funds or not.

This note Fraser endorsed to the plaintiffs; and on the 20th day of August, 1895, the day the note fell due, Fraser called at the plaintiff's bank and made the endorsement thereon, "protest waived," "D. Fraser." He also at the same time waived protest on some other notes held by the plaintiffs on which he was endorser. The note was not presented for payment at the office of Donald Fraser on the day it fell due, nor until two or three days before suit.

On the 20th day of August, 1895, the day the note fell due, the defendant had at his credit with Fraser $122.41. On the 26th day of August, 1895, the amount at his credit was reduced to $72.41; on the 28th day of August, it was $122.41; on the 18th day of September, it was $72.41; on the 21st September, $43.46; on the 24th September, $152.46; and on the 25th day of September, $137.46, on which day Fraser made an assignment. Fraser swore that if the note had been presented at his office the day it fell due, it would have been paid, and that he only waived protest of it to preserve his liability therefor.

The cause was tried in the First Division Court of the county of Frontenac, and judgment was given for the plaintiffs, and from such judgment the defendant appealed mainly on the

grounds that presentment of the note ought to have been made on the date of maturity at the place where the note was made payable, and that the defendant having been damnified by the plaintiff's default in this respect, the loss ought to fall on the plaintiff.

The trial Judge found on the evidence that, although there were sufficient funds at the place named on the date the note matured, a few days after the defendant had by withdrawal reduced the amount to his credit in Fraser's hands to an amount less than the amount of the note, but subsequently increased it by deposits, so that at the time of Fraser's assignment, he had more to his credit than would have paid the note if then presented, and held that it was not necessary to present the note at all in order to hold the defendant liable, and gave a judgment in favour of the plaintiff.

From this judgment the defendant appealed, and the appeal was argued on February 20th, 1897, before a Divisional Court composed of Armour, C. J., Falconbridge and Street, JJ.

ARMOUR, C. J.:—In England prior to the passing of the Bills of Exchange Act, 1882, and in this province prior to the passing of the Act 7 Will. IV, ch. 5, in an action upon a promissory note, such as the one in question here, payable at a particular place, it was necessary to allege and prove a presentment at such place.

And although in order to charge the endorser upon such a promissory note, it was necessary to present it at the particular place on the day it fell due, yet to charge the maker it was not necessary to present it at the particular place on the day it fell due, but it was sufficient if it were presented there at any time before action.

And I do not think that the law in England in this regard, was altered by the Bills of Exchange Act, 1882, section 87 of which provides that " where a promissory note is in the body of it made payable at a particular place, it must be presented for payment at that place in order to render the maker liable," and that it is still unnecessary in order to charge the maker to present such a note at the particular place on the day it falls due, but that it is still sufficient to present it there at any time before action.

By the Act of this province, 7 Will. IV, ch. 5, a promissory note such as the present, made payable at a particular place without further expression in that respect, is to be deemed and taken to be a promise to pay generally, and this continued to be

the law until the coming into force of the Bills of Exchange Act, 1890, by section 86 of which it is provided that "where a promissory note is in the body of it made payable at a particular place, it must be presented for payment at that place. But the maker is not discharged by the omission to present the note for payment on the day that it matures. But if any suit or action is instituted thereon against him before presentation, the costs thereof shall be in the discretion of the Court."

The effect of this provision seems to be that it is still necessary in order to charge the endorser that such a note should be presented for payment at the particular place on the day it falls due; but that to charge the maker, it is unnecessary that it should be so presented, but that it may be so presented at any time before action brought, and that an action may be brought upon it against the maker, even without any presentation at the particular place at the risk of the plaintiff being obliged to pay the costs of such action in case the maker shall show that he had the money at the particular place to answer the note when the note fell due and thereafter; but it may be that the effect of this provision is that as far as the maker of such a promissory note is concerned, the promissory note is to be deemed and taken to be a promise by him to pay generally, but it is unnecessary to determine the effect of this provision in determining this case.

For I think that where a promissory note, such as the present, is made payable at a particular place, it is the duty of the maker to have the funds necessary to answer the note at such a particular place, and to keep them there until they are called for by the holder of the note.

In *Rowe v. Young*, Best, J., in giving his opinion to the House of Lords said: "It has been asked at the bar, how long the acceptor is to leave the amount of the bill in the hands of his banker? I answer, that he is never to remove it. By his special acceptance, he has charged that money with the payment of the bill at his bankers; he has, therefore, no power over the amount left at his bankers to pay it; it belongs to the holder of the bill, who may take it when he pleases. Should he not call for it within the time allowed to the holder of a banker's cheque to present the cheque at the bankers, and should the banker fail, the holder of the bill must lose his money; he would lose his money if he took a cheque for his bill and did not present such cheque in due time. It is decided in the case of *Saunderson v. Judge*, that a *memorandum* that a note would be paid at the house of Saunderson and Co., was an undertaking, that there should be cash there to pay the note; and an order on Saunderson & Co. to pay it. Your Lord-

ships also know that such an acceptance as is stated in your Lordship's question is treated by all bankers as a draft on them or order to pay the bill so accepted. A person who neglects to present such an acceptance on the day when it is due, must, therefore, subject himself to the same consequences as one who keeps any other draft or a banker's cheque, beyond the day after that on which it was delivered to him, when the banker fails." . . . It was the duty, therefore, of the defendant, the maker of the note in question, to have the money to meet the note at the particular place where the note was made payable, and to keep it there to meet the said note when called for.

But although he had the money to meet the note in question at the particular place where it was made payable on the day it fell due, he did not keep it there, for on the 26th August, he had only $72.41 there, and on the 21st September, only $43.46 there, and not having kept the money there to meet the said note, he could not set up the failure of Fraser the banker, as exonerating him from the payment of the note.

In my opinion, therefore, the judgment appealed from is right, and should be affirmed, and the appeal should be dismissed with costs.

Falconbridge and Street, JJ., concurred.

High Court of Justice, Ontario

Fitzgerald et al v. Molsons Bank et al

Under sec. 413 of the Municipal Act, 55 Vict., ch. 42 (O.), as amended by 56 Vict., ch. 35, sec. 10, a lender is bound to inquire into the amount of taxes authorized to be levied by a municipality to meet the then current expenditure, and cannot lawfully lend more than that sum, although not bound to inquire into the existence of an alleged necessity for borrowing.

A municipal council may, however, with the consent of the ratepayers, raise money by debentures to repay money so unlawfully borrowed, when the expenditure, although not included in the estimates, was for purposes within the general powers of the corporation.

This was an action brought by certain ratepayers of the village of Hintonburgh against the Molsons Bank, the corporation of the village, and the sheriff of the county of Carleton, to restrain the collection and enforcement of a judgment recovered by the bank against the village corporation under the following circumstances :—

On the 23rd August, 1895, the council of the village, by by-law No. 49, passed under the authority of sec. 413 of the Municipal Act of 1892, 55 Vict., ch. 42, as amended by sec. 10 of the Municipal Amendment Act of 1893, 56 Vict., ch. 35 (O.),

authorized the reeve and treasurer to borrow from the Molsons Bank at Ottawa sums not exceeding in all $5,000, to meet current expenditure until such time as the taxes levied therefor could be collected.

At the same meeting they passed by-law No. 50 authorizing the levying of the rates for the year. The amounts to be levied for each separate purpose were left separate in the by-law, and amounted in the whole to $5,179.45, of which only $1,200 was for village rate, $2,775 was for school rates, $825 for debts under former debentures, and the balance for county rate.

By-law No. 49 was amended by by-law No. 56, on 29th November, 1895, by substituting $7,000 for $5,000 as the amount to be borrowed.

Under these by-laws the reeve and treasurer borrowed from the Molsons Bank at Ottawa $6,000, giving the notes of the village corporation therefor, as authorized by the by-laws.

The amount so borrowed was expended in the repair and alteration of certain roads, and in diverting the course of a certain stream, within the corporation. These works were within the general powers of the corporation, but no provision had been made for the outlay in the estimates for the year.

The bank at the time of the advances had no notice that the money borrowed was not required to meet current expenditure, but they might by inquiry have ascertained that the taxes levied for village purposes were greatly below the amount borrowed under the by-law.

The notes given to the bank were not paid at maturity, and were renewed, and the renewals not having been paid, the bank in October, 1896, brought an action against the village corporation and obtained judgment by default for $6,201.04, the amount of the notes and interest, and placed execution in the hands of the sheriff of the county.

On the 23rd January, 1897, the plaintiffs, who were ratepayers of the village, began this action, on behalf of themselves and the other ratepayers, to declare the by-laws 50 and 56 to be *ultra vires* the corporation and void, also to declare the judgment obtained by the bank to be void by reason of fraud and collusion between the bank and the council, and to restrain the sheriff from levying under the execution issued upon it.

After the issue of the writ in this action, and before the filing of the statement of claim, viz., on 16th February, 1897, the village council submitted to the ratepayers a by-law authorizing the issue of debentures to the amount of $8,000, reciting that the corporation had expended $7,100 in the opening of the roads in question and the diverting of the stream in question, and that a further sum of $900 was required for the further improvement of one of the roads in question. The expenditure here recited included that which had been made out of the money borrowed from the bank. This by-law was duly approved by the vote of the ratepayers, and was passed by the council, and debentures under it were issued, and the proceeds at the time of the trial remained to the credit of a special account in the bank. The plaintiffs in their statement of claim set out the passing of this by-law and alleged that the defendants the corporation intended to pay the judgment of the Molsons Bank out of the proceeds of the debentures, although that purpose was not set forth in the by-law, and prayed that they might be restrained from doing so.

The defendants the Molsons Bank in their statement of defence alleged that they advanced the moneys in question to the corporation in good faith ; that they had been expended for the purposes of the corporation ; that the by-law of February, 1897, was passed for the express purpose of paying their claim ; and that, having obtained judgment for the amount advanced, without any fraud or collusion, they were entitled to proceed upon it.

The defendants the corporation of the village by their statement of defence said that the $6,000 principal money represented by the judgment was advanced to them by the bank ; that the corporation had received the benefit of it, and had always regarded it as a just debt, and were willing to pay it, and intended to pay it if this action had not been instituted, and submitted its rights and obligations to the Court.

The defendant the sheriff justified under the judgment and execution, and submitted to the order and protection of the Court.

The action was tried before Rose, J., without a jury, at Ottawa, on the 17th September, 1897, upon the pleadings and admissions which are set forth in substance above.

After argument the learned Judge dismissed the action with costs, upon the ground that under the amended Municipal Act of 1893 the bank were exempted from inquiry into the necessity for the passing of the by-law No. 49, and that the exemption from inquiry extended to the amount authorized, even though it should exceed the amount of taxes for the year.

The plaintiffs moved to set aside this judgment and to enter the judgment asked for in the statement of claim, and the motion was argued on the 21st January, 1898, before a Divisional Court, composed of Armour, C.J., and Street, J.

January 29, 1898. The judgment of the Court was delivered by

STREET, J.—The whole amount of the taxes authorized to be levied in this municipality during the year 1895 was only $5,179.12, and it is clear, therefore, that under the most favorable view of section 413 of the Municipal Act of 1892, as amended by section 10 of the Municipal Amendment Act of 1893, the council were not empowered to raise $6,000 to meet their "then current expenditure until such time as the taxes levied therefor" could be collected. I cannot entirely concur in the interpretation placed by my brother Rose upon the concluding portion of the section, which provides that "the person or bank lending such amount shall not be bound to establish the necessity for borrowing the same." With great respect, I think these words are to be read in connection with the preceding portion of the section which confers the authority to borrow "such sums as the council may deem necessary to meet the then current expenditure of the corporation until such time as the taxes levied therefor can be collected," and limits the power of borrowing under this section to the amount of the taxes levied to meet the then current expenditure. I think, therefore, that a bank or individual lending is bound to inquire into the amount of the taxes authorized to be levied to meet the then current expenditure, and cannot lawfully lend more than that sum, although not bound to inquire into the existence of an alleged necessity for borrowing that, or any other, amount.

Were the lender declared to be exempted from every inquiry, nothing would be more easy than for a council to pledge the credit of the corporation for amounts much greater than the section was intended to authorize, and the provisions confining the expenditure of each council to the taxes levied during its year, unless otherwise specially authorized by the ratepayers, would to a large extent cease to be a safeguard.

There is a later amendment to the clause in section 50 of

ch. 45 of the Ontario Statutes for 1897, further limiting the amount to be borrowed under it, which, however, does not affect this case.

It is admitted, however, that the money borrowed from the bank was expended by the council upon works within its jurisdiction, upon which money lawfully obtained for the purposes of the council might lawfully have been expended; and it is further admitted that the ratepayers, since this action was begun, have passed a by-law authorizing the council to borrow money to pay the outlay incurred in these works; that the council have issued debentures and raised money upon them and are willing to pay back to the Molsons Bank the money borrowed under section 413, and are only restrained from doing so by the proceedings in this action.

If the plaintiffs, upon the passing of this by-law by the ratepayers, had withdrawn their opposition to the payment of the claim of the bank, I think they would have been entitled to their costs, because they appear to me to have been right in their contentions to that point; but, instead of doing so, they have persevered in endeavouring to thwart the desire of the council to honestly repay the money which they had obtained and expended for the general benefit of the municipality. They have insisted that the council have no right to use the money raised upon these debentures in repaying the sums borrowed from the bank, because the by-law approved by the ratepayers does not specifically state that the money is to be paid to the bank.

I can see nothing in the Municipal Act which prevents a council, with the approval of the ratepayers, from raising money for the repayment of such a debt as this. It is one thing to say that money borrowed by a council without the safeguards imposed by the statute may not be recoverable by the lender. It is quite another thing to say that a municipality having so borrowed money and expended it for the benefit of the ratepayers is to be restrained from being honest enough to pay it back. This is what the plaintiffs invite us to say in the present action, and I am clear we should refuse to say it.

In my opinion the motion should be dismissed with costs.

High Court of Justice, Ontario.

Gignac v. Iler et al.

Where there was evidence of a request made to a person in embarrassed circumstances by one who had indorsed notes for him, for a conveyance of an equity of redemption in land, to secure the indorser against his liability, and the first proceeding taken to impeach the conveyance was a seizure of crops upon the land under an execution against the grantor, more than sixty days after the transfer was made:—

Held, that, there having been pressure, the conveyance could not be impeached as a preference.

But, the statement of the consideration in the conveyance being untrue, the onus was upon the grantee to prove beyond reasonable doubt that there was some other good consideration, and his own unsupported statement that such existed was insufficient, and the conveyance must be treated as voluntary, and therefore void under the Statute of Elizabeth.

This was an action brought against the sheriff of Essex and his sureties to recover damages for trespass to real and personal property claimed by the plaintiff under the following circumstances:—

On the 15th July, 1895, Messrs. Cameron & Curry recovered judgment against one Antilla and Solomon White for $327, and placed execution in the sheriff's hands on the same day. Under this execution the sheriff seized twenty acres of corn and two acres of potatoes, all growing upon a farm of which Antilla was in possession. Antilla, himself, came into the sheriff's office and acknowledged them as being under seizure, but no actual seizure was made until the middle of October. The property seized was claimed in October or November by Gignac, the plaintiff in the present action; the execution creditors took from Solomon White a chattel mortgage in settlement of their claim and refused to interplead; but White, being only a surety for Antilla to the execution creditors for the debt upon which the judgment had been recovered, notified the sheriff to proceed with the execution for his benefit, and indemnified him, and the property seized was ultimately sold by the sheriff to White. The present action was then brought by Gignac against the sheriff and his sureties to recover the value of the crop, as well as damages for trespassing upon the land.

The land upon which the crops were growing had been the property of Antilla, subject to three mortgages amounting to about $2,100. On 18th June, 1895, Antilla conveyed his equity of redemption to Gignac, the consideration appearing in the

conveyance being "an exchange of properties"; but Gignac in his evidence stated that he had indorsed notes amounting to some $250 for Antilla; that, knowing Antilla was becoming very much embarrassed, he had taken this conveyance from him, intending to sell the crop and pay up the overdue interest on the mortgages with the proceeds, and endeavour to sell the land for enough to help him to pay the notes which he had indorsed for Antilla, who was his brother-in-law. Antilla remained in possession, notwithstanding the conveyance, and on 22nd July, 1895, Gignac made a lease to him of a small part of the property with the house upon it at a rental of $6 a month. In October, 1895, Antilla left the country, and moved over to Detroit, having marketed some of the property on the farm. The sheriff in his defence set up that the transfer of the property from Antilla to Gignac was colorable and fraudulent against creditors.

The action was tried at Sandwich, on the 1st November, 1897, before Meredith, J., without a jury, and he gave judgment for the defendants, upon the ground that the transfer from Antilla to Gignac was a fraudulent preference, and therefore void against creditors.

Against this judgment the plaintiff moved, and the motion was heard on 20th January, 1898, by a Divisional Court composed of Armour, C.J., and Street, J.

February 10, 1898. The judgment of the Court was delivered by

STREET, J.:—The conveyance from Antilla to the plaintiff of the land upon which the crops in question were growing carried the growing crops with it, and was made on the 18th June, 1895. The execution under which the sheriff justifies the seizure was placed in his hands on the 15th July, 1895, but he made no actual seizure until about the middle of October, when for the first time he sent his bailiff out. What happened on the 27th July, 1895, seems to have been merely this: that Antilla, having heard of the execution, went to the sheriff's office and told the sheriff that he had excellent crops growing which he would harvest, and the proceeds of which he would hand over to the sheriff. In October the sheriff heard that Antilla was disposing of the property, and then he sent out and made an actual seizure.

The judgment in favor of the defendants delivered at the trial finds that the conveyance from Antilla to Gignac was void

as a fraudulent preference. I am unable to agree in this conclusion. There was evidence of a request on the part of Gignac for the conveyance which was made, to secure him against the liability he was under for Antilla, and the first proceeding taken to impeach the transfer was the actual seizure by the sheriff in October, more than sixty days after the transfer was made. There having been pressure within the authorities, the transfer cannot be impeached as a preference.

The learned Judge, however, leaves open the question as to whether the transaction may not be void under the Statute of Elizabeth, and I have come to the conclusion that we should so hold. The statement of the consideration is untrue, because there was, confessedly, no exchange of properties. The onus is then plainly thrown upon the plaintiff of proving beyond reasonable doubt that there was some other good consideration. He says the consideration really was the intention of Antilla, at his request, to secure him against certain indorsements. Transactions of this nature between relatives are viewed with suspicion, and it has been repeatedly held to be the duty of the person upon whom the onus rests to produce to the Court as satisfactory evidence of the truth of his story as the nature of case will admit of. The plaintiff has contented himself with giving his own unsupported evidence of the existence of a consideration which contradicts the statement in the deed. He has not called the man who held the note which he says he endorsed for Antilla, and to whom he says he paid part of it—nor has he called Antilla, who has made an affidavit for him upon this motion, and who has been living in Detroit ever since he left Windsor.

Then there is the fact that, notwithstanding the conveyance, Antilla remained in possession of the property, without any apparent right to be there, until he got a lease a month later. Antilla seems to have worked at the harvesting and selling of the crop as if it were his own. It is true Gignac says he was paid wages for doing so, but here again his evidence might have been, but is not corroborated.

In a word, the consideration set forth in the deed is untrue, and we have only the plaintiff's unsupported statement of any other. Under these circumstances, I think we must treat the evidence of the existence of any consideration as insufficient, and treat the conveyance as being voluntary. Treated as a voluntary conveyance, it plainly cannot be upheld, and the motion should, therefore, be dismissed with costs.

ADMIRALTY COURT, AUSTRALIA

Chartered Bank of India, Australia and China Limited v. owners of the "Prinz Heinrich"

Robbery of gold from a ship's strong-room.

This was an action by the bank against the North German Lloyd Steamship Company to recover £2,447 13s. 4d., part of a quantity of gold shipped on board the defendants' steamer, "Hohenzollern" at Yokohama, consigned to the plaintiffs in London, but stolen from the mail-room by some German sailors during the voyage from Yokohama to Hongkong. At the latter port the box containing the gold was trans-shipped into the "Prinz Heinrich," which brought the box to London, but on its being opened it was found that the gold had been abstracted and bullets put in its place. The robbery took place the night after the "Hohenzollern" left Yokohama, and the plaintiffs submitted, that if the purser had carefully examined the box on its trans-shipment at Hongkong he would have noticed that it had been tampered with, and might have prevented the gold (which the sailors had concealed in their berths) from leaving the ship. The defendants pleaded that under the bills of lading they were not responsible for loss by barratry, but the plaintiffs, while admitting this and also that a theft by sailors could be construed as barratry, alleged that there had been negligence by the defendants' officers in not exercising proper care to see that the mail-room was securely fastened. But for the officers' negligence, they said, there would have been no loss by barratry in this case. The defendants denied negligence, and said that every possible precaution had been taken for the safe custody and delivery of the gold.

In giving judgment, the judge said the question was one of fact. The negligence complained of was that the purser, or one of the officers, neglected to see that the bolts of the iron doors were properly fastened the last time of using the mail-room before the vessel left Yokohama. The answer to that by the defendants was that Schmidt (the thief), who assisted the purser in putting the box into the room and in locking the doors, was properly treated as a trustworthy person, and that there was no negligence on the part of purser or officer if this man tricked them into supposing that the bolts were apparently fastened when he had at the same time dexterously drawn them. There appeared

to be laxity in the way in which this room was used for treasures, parcels, mails, etc., and there was no doubt that Schmidt having observed the manner in which the room was being used, thought there might be an opportunity of displacing the bolts. He (the judge) should say there was negligence on the part of the purser or one of the officers in not ascertaining whether the door was closed after the bolts had been manipulated by Schmidt. The Trinity Masters, both of whom had had large experience in the carriage of treasure, had also advised him that the facts disclosed a state of negligence, and that the purser or officer should have personally seen to the fastenings of the door. He held the defendants responsible. With regard to the plaintiffs' other contention that the tampering of the box ought to have been discovered when it was trans-shipped at Hongkong, he thought there was no negligence against the defendants' servants. Schmidt had left the box in such a condition that it was almost impossible to have detected that it had been tampered with. There was negligence. however, on the "Hohenzollern" with regard to the security of the mail-room, and the plaintiffs would have judgment for £2,447 13s. 4d., with costs.

Judgment accordingly.

UNREVISED TRADE RETURNS, CANADA

(000 omitted)

IMPORTS

Nine months ending March—	1896-7		1897-8	
Free	$30,250		$36,254	
Dutiable	50,300		55,686	
	$80,550		$91,940	
Bullion and Coin	4,553	$85,103	3,116	$95,056
Month of April—				
Free	$ 2,755		$ 3,550	
Dutiable	5,597		6,082	
	$8,352		$9,632	
Bullion and Coin	43	$ 8,395	495	$10,127
Month of May—				
Free	$ 3,701		$ 5,448	
Dutiable	5,002		6,428	
	$8,703		11,876	
Bullion and Coin	42	$ 8,745	745	12,621
Total for eleven months		$102,243		$117,804

EXPORTS

Nine months ending March—				
Products of the mine	$ 8,392		$11,575	
" Fisheries	8,339		8,464	
" Forest	20,977		20,793	
Animals and their produce	31,325		36,907	
Agricultural produce	12,671		27,010	
Manufactures	6,673		7,722	
Miscellaneous	134		103	
	$ 88,514		$112,575	
Bullion and Coin	3,344	$ 91,858	4,245	$116,820
Month of April—				
Products of the mine	$ 944		$ 785	
" Fisheries	280		304	
" Forest	1,940		916	
Animals and their produce	1,466		2,003	
Agricultural produce	996		1,764	
Manufactures	860		975	
Miscellaneous	7		9	
	$ 6,474		$ 6,757	
Bullion and Coin	52	$ 6,529	218	$ 6,975

Month of May—

Products of the mine	$ 825		$ 892	
" Fisheries	528		648	
" Forest	2,455		1,293	
Animals and their produce	2,313		2,058	
Agricultural produce	2,222		1,704	
Manufactures	915		949	
Miscellaneous	6		21	
	$ 9,264		$ 7,566	
Bullion and Coin	21	$ 9,285	91	7,657
Total		$107,672		$131,452

SUMMARY (in dollars)

For eleven months—

	1896-7	1897-8
Total imports other than bullion and coin	$97,605,000	$113,358,000
Total exports other than bullion and coin	104,252,000	126,898,000
Excess of exports	$ 6,647,000	$13,540,000
Bullion and coin, net (*Imp.*)	1,221,000	(*Exp.*) 198,000

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	
	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8	1896-7	1897-8
	$	$	$	$	$	$	$	$	$	$	$	$
June	43,129	54,616	28,384	29,842	4,550	4,792	2,775	2,544	4,094	5,531	2,418	2,566
July.....	44,796	52,831	30,494	33,892	5,467	6,308	2,847	2,638	4,961	5,616	2,879	3,116
August ..	41,574	49,240	25,128	29,640	5,556	5,554	2,367	2,442	4,646	6,298	2,602	2,874
September	44,763	55,080	24,870	32,466	5,036	5,164	2,829	2,971	4,630	8,035	2,283	2,620
October ..	48,999	59,340	29,242	35,736	5,387	5,817	3,131	2,970	7,585	13,291	2,292	2,464
November	50,215	59,166	29,129	34,211	5,063	5,580	2,856	2,878	8,895	13,550	2,362	2,442
December	51,033	56,509	33,146	35,986	5,547	5,386	3,051	3,094	7,736	9,784	2,566	2,738
January ..	43,577	60,334	31,117	37,836	5,135	5,009	2,863	3,028	5,009	6,347	2,200	2,417
February .	38,480	62,332	24,592	33,414	4,208	4,446	2,591	2,663	3,851	5,517	2,016	2,022
March ...	40,654	67,625	26,673	39,012	5,215	5,285	2,799	3,021	4,289	5,968	2,144	2,148
April	45,092	50,003	28,236	33,035	5,077	4,472	2,900	2,858	4,161	6,240	2,314	2,254
May	46,600	56,475	29,059	34,374	5,270	4,798	2,655	2,932	5,014	8,683	2,430	2,513
	538,912	683,551	340,070	409,444	61,511	62,611	33,664	34,039	64,871	94,860	28,506	30,174

STATEMENT OF BANKS acting under Dominion Government charter for the months of March, April and May, 1898, and comparison with May, 1897:

LIABILITIES

	31st March, 1898	30th April, 1898	31st May, 1898	31st May 1897
Capital authorized	$ 74,258,684	$ 74,758,684	$ 74,758,684	$ 72,958,684
Capital paid up	62,296,786	62,299,130	62,302,282	61,943,156
Reserve Fund	27,634,666	27,685,666	27,555,666	27,020,799
Notes in circulation	$ 35,930,085	$ 35,843,651	36,261,760	$ 31,820,445
Dominion and Provincial Government deposits	6,014,489	6,290,392	6,879,689	6,984,898
Public deposits on demand	76,471,017	78,196,100	80,202,015	70,183,545
Public deposits after notice	140,525,489	139,997,150	143,200,518	129,532,122
Bank loans or deposits from other banks secured	.....	.....	.....	17,642
Bank loans or deposits from other banks unsecured	2,555,465	2,485,234	2,721,408	2,838,777
Due other banks in Canada in daily exchanges	162,669	146,769	111,534	113,477
Due other banks in foreign countries	509,463	626,569	436,028	320,798
Due other banks in Great Britain	3,353,429	4,504,210	3,781,065	3,373,262
Other liabilities	529,332	528,865	1,034,571	958,688
Total liabilities	266,051,460	268,619,023	274,628,668	$246,133,727

ASSETS

Specie	$ 8,954,889	$9,173,359	$ 9,115,147	$ 8,657,293
Dominion notes	14,566,151	15,002,456	15,675,799	15,936,862
Deposits to secure note circulation	1,883,067	1,883,067	1,885,403	1,848,493
Notes and cheques of other banks	7,937,640	7,541,492	9,609,218	8,519,447
Loans to other banks secured	.....	.....	.....	31,094
Deposits made with other banks	3,433,965	3,397,356	3,383,442	3,679,882
Due from other banks in Canada in daily exchanges	201,057	184,142	206,555	161,916
Due from other banks in foreign countries	19,482,365	19,527,216	20,504,144	18,763,773
Due from other banks in Great Britain	8 200,145	7,437,767	8,050,727	8,981,513
Dominion Government debentures or stock	4,890,232	4,891,794	4,906,569	2,800,224
Public municipal and railway securities	32,916,884	33,142,982	33,336,581	24,851,672
Call loans on bonds and stocks	20,337,515	19,034,498	18,859,581	14,256,608
Current loans and discounts	218,035,643	222,115,392	223,679,314	211,750,319
Loans to Dominion and Provincial Governments	1,377,698	1,824,707	1,613,858	821,469
Overdue debts	3,237,576	3,119,918	2,740,951	3,419,427
Real estate	2,143,340	2,159,433	2,133,901	1,989,223
Mortgages on real estate sold	690,444	579,362	576,276	509,294
Bank premises	5,684,498	5,794,564	5,731,376	5,627,440
Other assets	1,903,457	1,721,570	1,573,728	2,086,915
Total assets	355,876,759	358,531,275	363,582,783	$334,693,054
Loans to directors or their firms	8,122,579	8,060,214	7,727,039	$8,135,095
Average amount of specie held during the month	8,926,759	9,002,440	9,345,565	8,551,022
Average Dominion notes held during the month	14,092,500	14,599,907	15,294,393	15,717,060
Greatest amount of notes in circulation during month	36,939,264	37,515,074	37,833,880	32,637,033

CANADIAN BANKERS' ASSOCIATION

LIST OF ASSOCIATES

Abbott, J. H.....Merchants Bank of Halifax
Abbott, C. C.....Bank of Montreal
Abernethy, A. C.....Bank of British North America
Acres, J. J.....Canadian Bank of Commerce
Adair, John .....Canadian Bank of Commerce
Aird, Jas.....Bank of Montreal
Aird, John .....Canadian Bank of Commerce
Allan, Andrew.....Halifax Banking Company
Allan, J. E.....Union Bank of Halifax
Allan, W. A.....Merchants Bank of Canada
Alley, J. A. M.....Traders Bank of Canada
Allison, J. Kaye ....Bank of British North America
Ambridge, H. A.....Molsons Bank
Ambrose, H. S.....Bank of Montreal
Ambrose, J. R.....Bank of British North America
Anderson, J.....Bank of British North America
Anderson, M. A.....Union Bank of Canada
Anderson, R. H.....Bank of Nova Scotia
Anderson, W. J. .....Bank of Montreal
Andrews, Ernest .....Canadian Bank of Commerce
Andros, E. B.....Bank of Toronto
Angus, A. F.....Bank of Montreal
Angus, Jas. A.....Bank of Montreal
Anglin, T. W.....Canadian Bank of Commerce
Appleton, L. G .....Molsons Bank
Archibald, H. H .....Halifax Banking Company
Arkell, R.....Imperial Bank of Canada
Armstrong, C. A.....Commercial Bank of Windsor
Armstrong, C. R.....Canadian Bank of Commerce
Arnaud, E. D.....Union Bank of Halifax
Arnold, C. M.....Imperial Bank of Canada
Arnold, C. G.....Imperial Bank of Canada
Ashe, F. W .....Union Bank of Canada
Atkinson, M.....Bank of Toronto
Austin, Benjamin.....Eastern Townships Bank
Austin, H. L. G.....Bank of British North America

Bain, John.....Imperial Bank of Canada
Babbitt, D. Lee .....People's Bank of New Brunswick
Babbitt, G. W.....Bank of Nova Scotia
Bailey, H. A.....People's Bank of Halifax
Bain, L. R.....Imperial Bank of Canada

Balcer, Leon G.....Quebec Bank
Balfour, G. H.....Union Bank of Canada
Ball, Wm. Lee.....Eastern Townships Bank
Bangs, John A.....Bank of Ottawa
Banks, D. W.....Union Bank of Canada
Barker, A. B.....Bank of Toronto
Barker, D. J.....Bank of Montreal
Bernhardt, R.....Molsons Bank
Barnum, J. L.....Canadian Bank of Commerce
Barrow, R. S.....Union Bank of Canada
Barry, J. F.....Merchants Bank of Halifax
Bartlett, C.....Bank of Hamilton
Bate, C. F.....Merchants Bank of Canada
Bate, E. N.....Imperial Bank of Canada
Bayly, N.....Bank of British North America
Beaumier, H.....Banque d'Hochelaga
Beaven, H. R.....Bank of British Columbia
Begg, Wm. M.....Bank of Toronto
Belair, L.....Banque Ville Marie
Belcher, John T.....Molsons Bank
Bell, F. W.....Merchants Bank of Canada
Bell, J. P.....Bank of Hamilton
Bell, W.....Imperial Bank of Canada
Bellhouse, G. Y.....Bank of British North America
Bellhouse, Wm. A.....Merchants Bank of Canada
Belt, H. R.....Merchants Bank of Canada
Belt, W. G. H.....Bank of British North America
Benedict, C. L.....Bank of Montreal
Bennetts, H. E.....Merchants Bank of Canada
Benson, W. S.....Bank of Nova Scotia
Benson, J. J.....Bank of Montreal
Bentley, H. M.....Bank of Ottawa
Bertrand, E. A.....Banque d'Hochelaga
Bethune, F. A.....Molsons Bank
Bethune, R. A.....Imperial Bank of Canada
Bienvenu, Tancrede.....Banque Jacques Cartier
Biette, F.....Western Bank of Canada
Bignell, A. E.....Merchants Bank of Canada
Billett, J. Glanville.....Union Bank of Canada
Billett, T. R.....Canadian Bank of Commerce
Billings, J., jr.....Bank of Hamilton
Billingsley, F. C.....Quebec Bank
Bingay, T. Van B.....Exchange Bank of Yarmouth
Bingham, H. P.....Merchants Bank of Canada
Birchall, A. S.....Union Bank of Canada
Bird, E. H.....Canadian Bank of Commerce
Bird, J. Godfrey.....Bank of Toronto
Bird, T. A.....Bank of Toronto
Bishop, A. G.....Merchants Bank of Canada
Black, Francis M.....Bank of British Columbia
Black, John.....Bank of Nova Scotia
Blagdon, J. F.....Merchants Bank of Halifax
Blair, T. B.....Bank of Nova Scotia
Blakeney, H.....Merchants Bank of Canada

Blomfield, F. C.....Bank of Montreal
Blouin, A. W.....Banque d'Hochelaga
Boak, S. D.....Union Bank of Halifax
Boddy, W. C.....Standard Bank of Canada
Bogert, C. A.....Dominion Bank
Bogert, M. S.....Dominion Bank
Boire, H. N.....Banque d'Hochelaga
Bonner, G. W. G.....Bank of British North America
Borden, F. A.....Peoples Bank of Halifax
Botsford, W. M.....Merchants Bank of Halifax
Bonnallie, Arthur G.....Eastern Townships Bank
Boultbee, E. K.....Imperial Bank of Canada
Boulton, G. D.....Imperial Bank of Canada
Boulton, J. D.....Molsons Bank
Bourinot, E. W.....Union Bank of Canada
Bourne, G. G.....Canadian Bank of Commerce
Boyd, B. C. Barclay.....Bank of New Brunswick
Boyd, W. J.....Canadian Bank of Commerce
Boyle, J. A.....Imperial Bank of Canada
Braithwaite, A. D.....Bank of Montreal
Bredin, R. S.....Ontario Bank
Breedon, H. M.....Bank of British North America
Brewer, H. C.....Molsons Bank
Brock, W. F.....Merchants Bank of Halifax
Brodie, F. A.....Bank of Toronto
Brodrick, A. B.....Molsons Bank
Brodrick, P. W. D.....Molsons Bank
Brough, John M.....Halifax Banking Company
Brough, T. G.....Dominion Bank
Brown, G. C.....Imperial Bank of Canada
Brown, Vere C.....Canadian Bank of Commerce
Browne, W. G.....Canadian Bank of Commerce
Bruce, W. Wallace.....Ontario Bank
Bruneau, A.....Banque d'Hochelaga
Brydon, James.....Canadian Bank of Commerce
Brymner, R. T.....Canadian Bank of Commerce
Buchan, E.....Bank of Hamilton
Buchan, J. L.....Canadian Bank of Commerce
Buchanan, J. O.....Union Bank of Canada
Buchly, R. J.....Bank of British North America
Burchell, A. S.....Merchants Bank of Halifax
Burchell, John E.....Merchants Bank of Halifax
Burns, G. H.....Bank of British North America
Burns, W. H.....Bank of Nova Scotia
Burrows, N. R.....Union Bank of Halifax
Burrows, W. A.....Merchants Bank of Canada
Burwell, T. S.....Canadian Bank of Commerce
Butler, W. E.....Merchants Bank of Canada
Butt, R.....Bank of British North America
Butterfield, J.....Bank of Hamilton
Byres, G. Martyn.....Ontario Bank

Cadwallader, W. G.....Bank of Nova Scotia
Caldwell, W.....Bank of Nova Scotia

Cameron, Duncan .....Merchants Bank of Halifax
Cameron, D. A.....Canadian Bank of Commerce
Cameron, D. E.....Canadian Bank of Commerce
Campbell, A. J. D.....Bank of British North America
Campbell, E. A.....Bank of Hamilton
Campbell, J. E.....Banque de St. Hyacinthe
Campbell, P.....Bank of Toronto
Campbell, J. H.....Molsons Bank
Campbell, J. M.....Bank of Hamilton
Campbell, Robt. J.....Bank of Montreal
Cant, Jose ph.....Bank of British North America
Capreol, A. R.....Imperial Bank of Canada
Carr, Arthur J .....Bank of British North America
Carlisle, Thomas.....Molsons Bank
Carpenter, C. H.....Imperial Bank of Canada
Carruthers, George .....Merchants Bank of Canada
Carter, E. H .....Canadian Bank of Commerce
Carter, J. H.....Canadian Bank of Commerce
Cartwright, J. S .....Imperial Bank of Canada
Cartwright, L. S.....Bank of Montreal
Cassels, D. S.....Bank of Hamilton
Cassels, L. G.....Dominion Bank
Cassels, R.....Canadian Bank of Commerce
Chadwick, E. A.....Imperial Bank of Canada
Chandler, W. M.....Canadian Bank of Commerce
Chapman, J. R.....Bank of British North America
Charles, D. H .....Canadian Bank of Commerce
Charlton, F. E.....Merchants Bank of Canada
Chatterton, T. S .....Bank of Toronto
Checkley, E. R.....Merchants Bank of Canada
Checkley, F. Y.....Canadian Bank of Commerce
Chester, A.....Merchants Bank of Canada
Chesterton, C. A.....Bank of Ottawa
Chipman, L. D. V.....Bank of Nova Scotia
Chipman, W. H.....Halifax Banking Co.
Chisholm, Geo. R.....Merchants Bank of Halifax
Chisholm, W. R.....Imperial Bank of Canada
Chisholm, W. S.....Merchants Bank of Canada
Christie, A. E.....Union Bank of Canada
Christie, W. J. .....Bank of Ottawa
Clark, A.....Imperial Bank of Canada
Clark, O. S. .....Bank of Hamilton
Clark, R.....Bank of Montreal
Clark, R. S. .....Imperial Bank of Canada
Clark, S. A.....Merchants Bank of Halifax
Clark, Walter E. .....Union Bank of Canada
Clarke, C. H. Stanley .....Imperial Bank of Canada
Clarke, D. R.....Peoples Bank of Halifax
Clarke, W. H. .....Merchants Bank of Halifax
Clawson, J.....Bank of New Brunswick
Clement, A.....Banque Nationale
Clinch, C. W.....Molsons Bank
Clouston, W. S.....Bank of Montreal
Cochran, E. J.....Peoples Bank of Halifax

Cochrane, Ernest B.....Eastern Townships Bank
Codd, Selby .....Bank of Ottawa
Coffin, T. C.....Quebec Bank
Cogswell, A. E.....Halifax Banking Company
Cole, Francis.....Bank of Ottawa
Coleman, H. J.....Traders Bank of Canada
Collard, W. H. .....Imperial Bank of Canada
Conolly, R. G. W.....Canadian Bank of Commerce
Cook, C.....Standard Bank of Canada
Cooke, C. H. S.....Merchants Bank of Canada
Cooke, Wm .....Merchants Bank of Canada
Cooke, W. A. .....Canadian Bank of Commerce
Coombs, E. G.....Peoples Bank of Halifax
Cooper, W. F. .....Bank of Toronto
Copeland, W. A.....Bank of Toronto
Côté, J. E.....Banque Nationale
Cotton, F. C .....Merchants Bank of Halifax
Cotton, F. M.....Bank of Montreal
Couét, L.....Banque Nationale
Coulthard, W. B.....Peoples Bank of New Brunswick
Cowdry, E .....Canadian Bank of Commerce
Cowie, A. G. .....Bank of British North America
Craig, H. J. .....Western Bank of Canada
Craig, T. L.....Imperial Bank of Canada
Craig, Will.....Bank of Toronto
Cran, J. .....Bank of British North America
Crane, John .....Ontario Bank
Crawford, F. L .....Canadian Bank of Commerce
Creelman, A.....Imperial Bank of Canada
Creighton, J. S .....Peoples Bank of Halifax
Creighton, Ralph.....Union Bank of Halifax
Crispo, F. W. S.....Union Bank of Canada
Crombie, A. M.....Canadian Bank of Commerce
Crombie, D. B .....Quebec Bank
Crombie, R. B.....Bank of Montreal
Crompton, R. W.....Canadian Bank of Commerce
Cronyn, Frank E.....Molsons Bank
Crosbie, C. A.....Canadian Bank of Commerce
Cross, F. O.....Canadian Bank of Commerce
Cross, Lionel F.....Canadian Bank of Commerce
Crossley, F. .....Canadian Bank of Commerce
Cumberland, C. R.....Bank of British North America
Cumberland, D. .....Bank of British North America
Currie, A. E.....Bank of British Columbia
Currie, R. S. .....Merchants Bank of Halifax
Cuthbertson, G. J.....Bank of Toronto

Daly, Simcoe M.....Canadian Bank of Commerce
Dampier, L. H.....Canadian Bank of Commerce
Daniel, G. W. .....Bank of Nova Scotia
Daniels, Fred.....Bank of Montreal
Davidson, R., jr.....Imperial Bank of Canada
Dawson, T. C.....Canadian Bank of Commerce
Deacon, C. F.....Bank of British North America

Deacon, F. B.....Canadian Bank of Commerce
Deans, H. G. P.....Bank of British North America
DeGex, L. M.....Canadian Bank of Commerce
DeGuise, L. .....Banque Nationale
Delmage, A. C. E. .....Merchants Bank of Canada
DeMille, F. W.....Halifax Banking Company
De Veber, Boies .....Halifax Banking Company
Dewar, D. B.....Canadian Bank of Commerce
Dick, John M. .....Bank of New Brunswick
Dick, William .....Bank of Montreal
Dickie, M.....Merchants Bank of Halifax
Dickins, A. H. .....Bank of Ottawa
Dickinson, Wm. .....Merchants Bank of Halifax
Dimock, R. V. .....Merchants Bank of Halifax
Dinning, Neil .....Eastern Townships Bank
Dixon, F. J.....Bank of British North America
Doak, A. E .....Eastern Townships Bank
Donnelly, John B.....Merchants Bank of Canada
Douglas, Geo. H.....Imperial Bank of Canada
Dowding, C. E.....Molsons Bank
Draper, W. H.....Molsons Bank
Dromgole, E. R.....Merchants Bank of Canada
Drouin, L. .....Banque Nationale
Dubuc, J. E. A.....Banque Nationale
Duff, J. M.....Canadian Bank of Commerce
Dumoulin, P. B.....Quebec Bank
Duncan, J. F.....Canadian Bank of Commerce
Dunlop, Fred .....Molsons Bank
Dunn, E. Edward.....Bank of Toronto
Dunsford, C. R.....Union Bank of Canada
Dunsford, W. H. .....Canadian Bank of Commerce
Dupuy, H. S.....Bank of Montreal
Durand, J. E.....Merchants Bank of Canada
Durnford, A. D.....Molsons Bank
Dusault, J. H.....Banque Ville Marie
Duthie, E. .....Bank of Montreal
Dykes, P. .....Merchants Bank of Canada

Earle, Earnest A.....Merchants Bank of Halifax
Easson, C. H.....Bank of Nova Scotia
Easton, Geo. C.....Imperial Bank of Canada
Eckardt, H. M. P.....Merchants Bank of Canada
Eddis, J. H. .....Imperial Bank of Canada
Edgell, Stephen.....Eastern Townships Bank
Edwards, J. B. .....Bank of Toronto
Elliot, James .....Molsons Bank
Elliot, R.....Molsons Bank
Eliot, W. L. .....Bank of Montreal
Elliott, John .....Standard Bank of Canada
Ellis, A. E.....Bank of British North America
Ellis, Robt. L.....Bank of British North America
Elmsly, J.....Bank of British North America
Ervin, Chas. K.....Merchants Bank of Halifax

Falconbridge, J. D.....Imperial Bank of Canada
Fauquier, F. B.....Imperial Bank of Canada
Fee, Jas. K.....Bank of Toronto
Ferguson, D. A.....Molsons Bank
Ferguson, J. H.....Merchants Bank of Halifax
Ferguson, B. T.....Bank of Toronto
Fewings, E. J.....Merchants Bank of Canada
Fidler, J. E.....Molsons Bank
Field, R. Allen.....Bank of Montreal
Finlaison, E. O.....Bank of British North America
Finnie, D. M. .....Bank of Ottawa
Finnis, Chas .....Bank of British North America
Finucane, F. J .....Bank of Montreal
Fisher, Guy A. .....Union Bank of Canada
Fisher, Henry G.....Bank of Montreal
Fisher, W. H.....Canadian Bank of Commerce
Fisk, A. K. .....Bank of British North America
Fitton, H. W.....Canadian Bank of Commerce
Fitzgerald, M. J.....Bank of Nova Scotia
Fitzsimons, Harvey.....Bank of Toronto
Flemming, H. A.....Bank of Nova Scotia
Foote, W. Leslie .....Imperial Bank of Canada
Forbes, D. J.....Halifax Banking Company
Forrest, C.....Imperial Bank of Canada
Forrest, S. L.....Union Bank of Canada
Forsayeth, B.....Bank of Hamilton
Fortier, S. .....Banque d'Hochelaga
Foster, G. C.....Imperial Bank of Canada
Foster, R. P.....Merchants Bank of Canada
Forster, J. A.....Imperial Bank of Canada
Fothergill, C.....Bank of Montreal
Fowler, Percy B.....Bank of British Columbia
Fox, Chas. J.....Western Bank of Canada
Fox, Ernest A. .....Canadian Bank of Commerce
Francis, B. B. O.....Imperial Bank of Canada
Fraser, C. Kenneth.....Eastern Townships Bank
Fraser, A. C.....Merchants Bank of Canada
Fraser, Hector .....Bank of Ottawa
Fraser, Wm. D.....Eastern Townships Bank
Freeman, C. D .....Bank of Nova Scotia
Frigon, A. J. C.....Banque d'Hochelaga
Fripp, Geo. M.....Merchants Bank of Halifax
Frost, Henry.....Banque Ville-Marie
Fry, A. G,.....Bank of British North America
Fuller, E. H.....Bank of Toronto
Fuller, S. B. .....Imperial Bank of Canada
Fullerton, L. A.....Bank of Nova Scotia

Gaboury, W.....Banque Nationale
Galbraith, R. S.....Imperial Bank of Canada
Galer, H. N. .....Eastern Townships Bank
Gallagher. James.....Ontario Bank
Galletly, A. J. C.....Bank of Montreal
Gauthier, J. N.....Banque de St. Jean

Gayfer, J. A.....Imperial Bank of Canada
Gibb, J. S.....Imperial Bank of Canada
Gibbs, G. M.....Canadian Bank of Commerce
Geddes, H. M.....Molsons Bank
Gerrard, George R.....Bank of British North America
Gilbert, M. A.....Imperial Bank of Canada
Gibson, Joseph C.....Dominion Bank
Gill, Robert.....Canadian Bank of Commerce
Gillard, J. H.....Bank of British North America
Gilleland, L. J.....Traders Bank of Canada
Gillespie, G.....Bank of British Columbia
Gilmour, J. W.....Bank of Toronto
Giroux, C. A.....Banque d'Hochelaga
Girvan, Samuel.....Bank of New Brunswick
Glennie, G. G.....Bank of Nova Scotia
Godfrey, W.....Bank of British North America
Godwin, C. B.....Quebec Bank
Godwin, F. R.....Bank of Ottawa
Goldie, H.....Bank of Montreal
Gordon, W.....Imperial Bank of Canada
Gordon, J. S.....Bank of Hamilton
Gosling, F. J.....Bank of Hamilton
Gould, R. J.....Bank of Toronto
Gower, E. P.....Canadian Bank of Commerce
Graecen, W. H.....Imperial Bank of Canada
Graham, Percy.....Peoples Bank of Halifax
Graham, S. R.....Molsons Bank
Grant, D. C.....Bank of Toronto
Grasett, H. J.....Canadian Bank of Commerce
Gray, Fred H.....Standard Bank of Canada
Gray, H. A.....Bank of Hamilton
Gray, H. M.....Bank of Montreal
Gray, J. E.....Standard Bank of Canada
Gray, V. G.....Bank of British North America
Gray, W. M.....Merchants Bank of Canada
Greata, J. M.....Bank of Montreal
Green, A. R.....Imperial Bank of Canada
Greenhill, G. V. J.....Merchants Bank of Canada
Griesbach, W. A.....Imperial Bank of Canada
Griffin, Geo. H.....Bank of Montreal
Griffin, F. F.....Bank of Ottawa
Grindlay, Wm.....Bank of British North America
Grindley, H. S.....Bank of British North America
Grubbe, R. W.....Bank of Toronto
Guimond, L. E.....Banque d'Hochelaga

Hague, F.....Merchants Bank of Canada
Hague, Geo.....Merchants Bank of Canada
Hague, Geo. E.....Merchants Bank of Canada
Hahn, F. X.....Merchants Bank of Canada
Haines, H.....Bank of British Columbia
Hale, Jeffery.....Canadian Bank of Commerce
Haliburton, Wm.....Bank of Nova Scotia
Hall, A. S.....Bank of British North America

Hall, T. G.....Bank of British North America
Halls, F. E.....Peoples Bank of Halifax
Hamilton, R. M. .....Bank of Montreal
Hamilton, A. L.....Canadian Bank of Commerce
Hamilton, J. W.....Bank of British North America
Harcourt, J. L.....Canadian Bank of Commerce
Harding, H. P.....Merchants Bank of Canada
Hargrave, W. H.....Eastern Townships Bank
Harper, C. G.....Merchants Bank of Canada
Harper, J. F.....Bank of Hamilton
Harries, H. A. .....Molsons Bank
Harris, C. E.....Merchants Bank of Halifax
Harrison, R. M.....Union Bank of Canada
Harrison, T. S.....Canadian Bank of Commerce
Harrison, W. H. .....Halifax Banking Co
Harshaw, W. B.....Merchants Bank of Canada
Hart, W. D. .....Standard Bank of Canada
Harvey, H. A.....Bank of British North America
Harvey, P. G. W. H.....Bank of Montreal
Harvey, R. G. .....Bank of British Columbia
Harvey, W. C. .....Union Bank of Halifax
Haun, A. W.....Bank of Hamilton
Hawkins, G. N. C. .....Peoples Bank of Halifax
Hawley, C. W. .....Eastern Townships Bank
Hay, C. H .....Molsons Bank
Hay, E. .....Imperial Bank of Canada
Hay, Fred L.....Bank of Nova Scotia
Hazen, A. P. .....Bank of British North America
Hearn, A. R. B.....Imperial Bank of Canada
Hebblewhite, W. A .....Imperial Bank of Canada
Hebden, E. F. .....Merchants Bank of Canada
Hedley, J. M.....Canadian Bank of Commerce
Heffell, H. R. .....Bank of British North America
Helsby, E. C.....Peoples Bank of Halifax
Henderson, G. A.....Bank of Montreal
Henderson, Joseph .....Bank of Toronto
Henderson, J. H.....Union Bank of Canada
Henderson, W. T.....Imperial Bank of Canada
Henwood, H. B.....Bank of Toronto
Hespeler, Jacob .....Molsons Bank
Hetherington, James .....Eastern Townships Bank
Heward, E. H.....Merchants Bank of Canada
Hiam, J. S. .....Bank of Ottawa
Hill, E. W. R.....Molsons Bank
Hill, G. N. T.....Canadian Bank of Commerce
Hill, J. F. H.....Merchants Bank of Canada
Hillary, Norman .....Traders Bank of Canada
Hinds, W. G.....Merchants Bank of Canada
Hirtzel, H. M.....Canadian Bank of Commerce
Hoare, C. S.....Imperial Bank of Canada
Hood, John .....Bank of Ottawa
Hodder, M. S.....Merchants Bank of Canada
Hodgetts, G. W.....Bank of Toronto
Hodgetts, Thos.....Bank of Toronto

Hodgins, E. S.....Canadian Bank of Commerce
Hodson, G. C.....Union Bank of Halifax
Hogg, W., jr.....Canadian Bank of Commerce
Hogg, W. J.....Bank of Montreal
Holden, M. E.....Dominion Bank
Holland, G. A.....Canadian Bank of Commerce
Hollyer, A. J.....Bank of Montreal
Holmested, F. W.....Canadian Bank of Commerce
Holt, Gilbert L.....Bank of British Columbia
Holt, Grange V.....Bank of British Columbia
Holtby, F. B.....Merchants Bank of Canada
Hooper, O. H.....Merchants Bank of Canada
Hope, F.....Bank of British North America
Hopkirk, F. B.....Bank of Ottawa
Horne, G. H.....Canadian Bank of Commerce
Hornsby, O. A.....Merchants Bank of Halifax
Houseman, J. E.....Molsons Bank
Houston, E. S.....Imperial Bank of Canada
Houston, W. R.....Dominion Bank
Houston, H. C.....Imperial Bank of Canada
Howard, H. .....Ontario Bank
Howard, L. W.....Molsons Bank
Howland, F. .....Imperial Bank of Canada
Hudson, J. Stanley .....Bank of British North America
Hughes, F. S.....Imperial Bank of Canada
Hutcheson, S. M.....Western Bank of Canada
Hurdon, N. D.....Molsons Bank

Inglis, R.....Bank of British North America
Inglis, John .....Merchants Bank of Canada
Irvine, J. H .....Bank of Ottawa
Ireland, A. H.....Canadian Bank of Commerce
Ireland, A. S.....Bank of British North America

Jackson, E. B.....Molsons Bank
Jackson, E. C.....Traders Bank of Canada
Jaffray, W. G.....Imperial Bank of Canada
James, L. .....Bank of British North America
James, Victor C.....Merchants Bank of Canada
Jamieson, Victor .....Halifax Banking Company
Jarvis, Arthur S.....Union Bank of Canada
Jarvis, Edgar R.....Canadian Bank of Commerce
Jarvis, F. P.....Imperial Bank of Canada
Jarvis, F. S.....Merchants Bank of Canada
Jarvis, E. W.....Bank of Montreal
Jarvis, Gerald .....Bank of Ottawa
Jemmett, F .....Merchants Bank of Canada
Jemmett, F. G.....Canadian Bank of Commerce
Jemmett, H.....Canadian Bank of Commerce
Jennings, B. .....Imperial Bank of Canada
Jennings, J. B .....Western Bank of Canada
Jennings, R. C .....Canadian Bank of Commerce
Johnson, F. W. G. .....Molsons Bank
Johnston, Geo. S.....Bank of Toronto

Johnston, J. D.....Merchants Bank of Canada
Johnston, J. M.....Quebec Bank
Johns, T. W.....Bank of Yarmouth
Jones, A. F. H.....Traders Bank of Canada
Jones, E. C. .....Bank of Montreal
Jones, G. W. .....Standard Bank of Canada
Jones, H. V. F .....Canadian Bank of Commerce
Jones, R. L. Y. .....Quebec Bank
Jones, W. G.....Bank of Nova Scotia
Joy, B. H. .....Merchants Bank of Canada
Jukes, A .....Imperial Bank of Canada

Kains, J. M. .....Imperial Bank of Canada
Kavanagh, C. R .....Bank of Ottawa
Kavanagh, W. J. .....Imperial Bank of Canada
Kelso, H. M.....Ontario Bank
Kelly, J.....Standard Bank of Canada
Kelly, J. E. .....Bank of Ottawa
Kenny, C. H.....Bank of Nova Scotia
Kennedy, C. A..... .....Bank of Nova Scotia
Kennedy, F. .....Merchants Bank of Halifax
Kemp, Donald.....Canadian Bank of Commerce
Kemp, J. C. .....Merchants Bank of Canada
Ker, R. L.....Bank of British Columbia
Kerr, P. A.....Bank of Hamilton
Kessen, R. Blaikie .....Bank of Ottawa
Ketchum, C. V.....Bank of Toronto
Killaly, R. H.....Molsons Bank
Kilgour, W. A.....Canadian Bank of Commerce
Kilvert, jr., F. E.....Bank of Hamilton
Kimball, F. E..... ..Bank of Toronto
King, W. C. J. .....Canadian Bank of Commerce
Kirkland, Angus .....Bank of Montreal
Kirkpatrick, G. R. F.....Imperial Bank of Canada
Kirkpatrick, R. C.....Merchants Bank of Canada
Kirkpatrick, W. R .....Bank of Toronto
Kirkwood, T.....Bank of British North America
Knight, A. S .....Bank of Nova Scotia
Kohl, E. F.....Molsons Bank
Kydd, Geo.....Merchants Bank of Halifax

Labadie, P. A .....Banque Nationale
Lacoursiere, F. X. O.....Banque d'Hochelaga
Lafrance, P. G.....Banque Nationale
Laing, G. F. .....Bank of British North America
Laing, R. T. .....Canadian Bank of Commerce
Laird, Alex.....Canadian Bank of Commerce
Laird, D. R.....Bank of Nova Scotia
Lamb, J. R.....Bank of Toronto
Lamont, Malcolm .....Bank of British Columbia
Langlois, C .....Banque d'Hochelaga
Langmuir, J. A.....Imperial Bank of Canada
Larken, F. B. D.....Bank of British North America
Latimer, C. R.....Bank of Toronto

Laundy, T. H.....Bank of British Columbia
Lavoie, N.....Banque Nationale
Lawson, A. E.....Commercial Bank of Windsor
Lawson, Reginald .....Bank of Nova Scotia
Lawson, Walter .....Commercial Bank of Windsor
Lay, Harry M.....Canadian Bank of Commerce
Lay, J. M.....Imperial Bank of Canada
Leach, Hugh.....Bank of Toronto
Leavitt, J. D.....Union Bank of Halifax
LeDoux, A. O.....Eastern Townships Bank
Leduc, F. E.....Banque Jacques Cartier
LeMesurier, G. G. .....Imperial Bank of Canada
Leslie, A.....Bank of British North America
Leslie, C. F.....Bank of Hamilton
Leslie, J.....Bank of Montreal
Lesslie, E. V.....Bank of Montreal
Lewer, M. W.....Bank of British North America
Lewis, C. A.....Merchants Bank of Canada
Lewis, J. D.....Imperial Bank of Canada
Lewis, Norman F.....Canadian Bank of Commerce
Lister, F. A. W.....Merchants Bank of Canada
Lloyd, C. H .....Ontario Bank
Lobb, W. A.....Bank of British Columbia
Lockie, Edwin McL.....Canadian Bank of Commerce
Lockwood, H .....Bank of Montreal
Lockwood, H. .....Molsons Bank
Logan, A. H.....Bank of Ottawa
Logan, F. W.. .....Canadian Bank of Commerce
Lombard, J. H.....Bank of Nova Scotia
Loosemore, H. H.....Standard Bank of Canada
Lough, C. Kirby.....Bank of Ottawa
Love, C. A.....Imperial Bank of Canada
Low, H. Ryland.....Molsons Bank
Lugsdin, W. H.....Canadian Bank of Commerce
Luxton, A. G. H.....Bank of Hamilton
Lyon, R. A.....Imperial Bank of Canada
Lytle, H. J.....Ontario Bank

Macbeth, F.....Molsons Bank
Macdonell, A. J.....Ontario Bank
Macdonald, R. H.....Peoples Bank of Halifax
Macdonald, John.....Bank of British North America
MacEwen, A. E.....Bank of Ottawa
MacGachen, F. L.....Merchants Bank of Canada
MacGillivray, D .....Canadian Bank of Commerce
MacGowan, W. J.....Merchants Bank of Canada
Machaffie, W. A.....Merchants Bank of Canada
MacHaffie, L. G.....Bank of British North America
Mackelvie, N. B.....Bank of Nova Scotia
Mackenzie, C. E.....Merchants Bank of Halifax
Mackenzie, G. H.....Merchants Bank of Halifax
Mackenzie, H. B.....Bank of British North America
MacKenzie, A. H. B.....Canadian Bank of Commerce
MacKenzie, G. P .....Bank of British North America

MacKenzie, J. M.....Imperial Bank of Canada
Mackinnon, Jas.....Eastern Townships Bank
Mackintosh, A. St. L.....Merchants Bank of Canada
Mackintosh, C. D.....Canadian Bank of Commerce
MacKay, J. R.....Merchants Bank of Halifax
MacMahon, H. P.....Traders Bank of Canada
MacMillan, D. A.....Merchants Bank of Canada
MacNamara, D .....Bank of Ottawa
Macnider, A.....Bank of Montreal
Macoun, F. J.....Canadian Bank of Commerce
Macpherson, R. C.....Canadian Bank of Commerce
MacQuarrie, A. J .....Bank of British North America
McBrine, Jas. H. .....Bank of Toronto
McCaffry, Thos. F. .....Union Bank of Canada
McCarroll, Jas. .....Halifax Banking Company
McCulloch, Wm.....Molsons Bank
McCaw, A. S.....Eastern Townships Bank
McCleneghan, A. B.....Imperial Bank of Canada
McCosh, R. G. .....Canadian Bank of Commerce
McCuaig, C. M.....Molsons Bank
McCurdy, E. A.....Merchants Bank of Halifax
McCurdy, F. B.....Halifax Banking Company
McDonald, Arthur .....Bank of New Brunswick
McDougall, Allan.....Quebec Bank
McDougall, F.....Merchants Bank of Halifax
McDougall, H. H. .....Merchants Bank of Halifax
McGaw, John .....Bank of British North America
McGill, V. C.....Ontario Bank
McGillivray, A.....Bank of Toronto
McGregor, D. .....Canadian Bank of Commerce
McGregor, George C.....Molsons Bank
McGuire, W .....Imperial Bank of Canada
McHarrie, R. C.....Canadian Bank of Commerce
McInnis, D.....Banque d'Hochelaga
McIsaac, John A.....Merchants Bank of Halifax
McKay, G. B.....Bank of Toronto
McKeand, D. L. .....Bank of Hamilton
McKee, G. W. .....Canadian Bank of Commerce
McKeen, John .....Bank of Nova Scotia
McLaggan, C. E.....Bank of Nova Scotia
McLaren, D.....Bank of Ottawa
McLean, A. D.....Merchants Bank of Canada
McLelland, E. J. .....Merchants Bank of Canada
McLennan, D .....Canadian Bank of Commerce
McLeod, B. M.....Bank of Nova Scotia
McLeod, J. A.....Bank of Nova Scotia
McLimont, R .....Merchants Bank of Canada
McMahon, J.....Molsons Bank
McMaster, T. G. .....Canadian Bank of Commerce
McMichael, H. M .....Bank of British North America
McMurray, L. S.....Bank of Toronto
McQuaid, J. H.....Merchants Bank of P. E. I.
McRae, A. D.....Union Bank of Halifax
McTavish, G.....Imperial Bank of Canada

Mabon, E. J.....Bank of Nova Scotia
Mabon, S. W.....Bank of Nova Scotia
Magee, J. E.....Merchants Bank of Canada
Mair, George.....Traders Bank of Canada
Malpas, F. C.....Bank of British Columbia
Mann, F. A.....Merchants Bank of Canada
Manning, C. M.....Bank of Nova Scotia
Manson, Wm.....Canadian Bank of Commerce
Magee, T. W.....Halifax Banking Company
Marler, W. L.....Merchants Bank of Canada
Marsh, F. H.....Imperial Bank of Canada
Marsland, C. B.....Molsons Bank
Martin, James .....Bank of Ottawa
Marquis, H. G.....Bank of British North America
Massey, W. M.....Bank of British North America
Matheson, Alan F.....Merchants Bank of Canada
Mathewson, F. H.....Canadian Bank of Commerce
Maynard, A. E.....Canadian Bank of Commerce
Maynard, Wm., jr.....Canadian Bank of Commerce
Meldrum, G. H.....Canadian Bank of Commerce
Mellish, A. E.....Merchants Bank of Halifax
Mercer, W. S.....Merchants Bank of Canada
Meredith, M. F.....Bank of British North America.
Merrett, T. E.....Merchants Bank of Canada
Merritt, C. M.....Imperial Bank of Canada
Merritt, J. P.....Imperial Bank of Canada
Metzler, R. H.....Halifax Banking Company
Michie, G. W.....Union Bank of Canada
Middleton, W. E.....Ontario Bank
Mickleborough, J. G.....Imperial Bank of Canada
Millar, J. E.....Canadian Bank of Commerce
Miller, D. .....Merchants Bank of Canada
Minty, F. C. G.....Canadian Bank of Commerce
Minty, H. I.....Canadian Bank of Commerce
Mitchell, H. D.....Traders Bank of Canada
Mitchell, W. F.....Merchants Bank of Halifax
Moffat, A. C.....Canadian Bank of Commerce
Moffatt, G. G.....Bank of Nova Scotia
Moffatt, W.....Imperial Bank of Canada
Molson, J. D.....Molsons Bank
Monk, A. B.....Bank of Montreal
Monk, John Benning.....Bank of Ottawa
Montgomery, R. J.....Canadian Bank of Commerce
Mooney, Andrew.....Bank of Nova Scotia
Moore, E. A.....Bank of Montreal
Moore, G. S.....Bank of Nova Scotia
Moore, R. H.....Bank of Ottawa
Moore, W. S.....Bank of Nova Scotia
Morden, H. J.....Standard Bank of Canada
More, John C.....Merchants Bank of Canada
Moreau, W. A.....Banque de St. Hyacinthe
Morehouse, W. E.....Eastern Townships Bank
Morey, Samuel F.....Eastern Townships Bank
Morgan, C. G.....Merchants Bank of Canada

Morgan, H. H.....Imperial Bank of Canada
Morris, H. H.....Canadian Bank of Commerce
Morris, J.....Ontario Bank
Morris, M.....Canadian Bank of Commerce
Morris, M.....Imperial Bank of Canada
Morrison, J. H.....Halifax Banking Company
Morrison, J. J.....Bank of British North America
Morrison, P. W.....Merchants Bank of Halifax
Morrison, R. P.....Halifax Banking Company
Morson, W. C. T.....Canadian Bank of Commerce
Morton, W. D.....Bank of Toronto
Mosher, H. E.....Commercial Bank of Windsor
Mowat, John.....Bank of Nova Scotia
Moyle, J. R.....Bank of British North America
Muckleston, A. J.....Canadian Bank of Commerce
Muir, J. Gillespie.....Merchants Bank of Canada
Munro, A. D.....Bank of Nova Scotia
Munro, Geo.....Merchants Bank of Canada
Munro, Geo. W.....Peoples Bank of Halifax
Munro, J. S.....Bank of British Columbia
Munro, K. V.....Bank of British Columbia
Murray, A. H.....Imperial Bank of Canada
Murray, F. L.....Halifax Banking Company
Murray, J. F.....Canadian Bank of Commerce
Murray, J. McE.....Canadian Bank of Commerce
Murray, Wm.....Bank of British Columbia
Murray, Wm. C.....Bank of Nova Scotia
Mussen, R. T.....Canadian Bank of Commerce

Naftel, F. J.....Bank of Montreal
Nash, A. E.....Bank of Montreal
Nasmith, H. C.....Canadian Bank of Commerce
Nay, J. W.....Canadian Bank of Commerce
Naylor, W. S.....Molsons Bank
Neill, C. E.....Merchants Bank of Halifax
Neeve, J. H.....Bank of Ottawa
Nevill, C. D.....Bank of British North America
Niblett, E. R.....Bank of Hamilton
Nichol, John D.....Bank of Hamilton
Nicoll, J. C.....Bank of British North America
Noble, C. J.....Canadian Bank of Commerce
Noel, H. V.....Quebec Bank
Nourse, C. G. K.....Canadian Bank of Commerce
Nowers, W. H.....Merchants Bank of Canada
Nunns, A. L.....Imperial Bank of Canada

O'Grady, F. G.....Merchants Bank of Canada
O'Grady, G. deC.....Canadian Bank of Commerce
O'Grady, J. W. deC.....Bank of Montreal
O'Halloran, J. M.....Eastern Townships Bank
Olivier, E. P.....Eastern Townships Bank
Oliver, F. G.....Merchants Bank of Canada
Oliver, W. T.....Bank of British North America

Ord, A. B.....Traders Bank of Canada
O'Reilly, H. H.....Bank of Hamilton
O'Reilly, H. R.....Canadian Bank of Commerce
Owen, L. C.....Bank of Ottawa

Paddon, J. A.....Bank of Montreal
Pambrun, W. H.....Banque d'Hochelaga
Pangman, H. G.....Canadian Bank of Commerce
Parker, A. D.....Canadian Bank of Commerce
Parker, Albert L.....Eastern Townships Bank
Parker, E. G.....Bank of Ottawa
Parker, F. A.....Merchants Bank of Canada
Parker, W. D.....Ontario Bank
Parkes, T. G. A.....Merchants Bank of Halifax
Parkes, G. E.....Bank of British Columbia
Parsons, H. B.....Canadian Bank of Commerce
Pashby, R.....Bank of Toronto
Paterson, J. C.....Merchants Bank of Canada
Paterson, N.....Imperial Bank of Canada
Paterson, T. H.....Bank of British Columbia
Patterson, A. B.....Merchants Bank of Canada
Patterson, C. A.....Bank of Hamilton
Patterson, E. L. Stewart.....Eastern Townships Bank
Patton, F. L.....Dominion Bank
Patton, R. C.....Quebec Bank
Pearce, W. K.....Dominion Bank
Pease, Edson L.....Merchants Bank of Halifax
Peden, G. R.....Bank of Ottawa
Pegram, W. H.....Bank of British Columbia
Pemberton, G. C. T.....Canadian Bank of Commerce
Penfold, J.....Bank of British North America
Pennington, Wm. J. G.....Bank of British North America
Pennock, C. G.....Bank of Ottawa
Pennock, H. P.....Bank of Ottawa
Pepler, A.....Dominion Bank
Percival, W. F.....Bank of Toronto
Peterson, F. J.....Imperial Bank of Canada
Pethick, H. S.....Bank of Nova Scotia
Phepoe, T. B.....Molsons Bank
Philip, W.....Imperial Bank of Canada
Phillips, E. S.....Merchants Bank of Canada
Phillpotts, W. E.....Bank of British North America
Philpot, F. V.....Imperial Bank of Canada
Phipps, A. R.....Canadian Bank of Commerce
Phipps, A. E.....Imperial Bank of Canada
Pidcock, C. S.....Union Bank of Canada
Piddington, Alfred.....Quebec Bank
Pinkham, J.....Imperial Bank of Canada
Pitblado, J.....Bank of Nova Scotia
Pitt, Edward.....Bank of Montreal
Plummer, J. H.....Canadian Bank of Commerce
Polson, Hugh.....Canadian Bank of Commerce
Pool, John.....Traders Bank of Canada
Pope, Frank H.....Ontario Bank

Porter, Jas S.....Bank of Toronto
Pottenger, F. W.....Merchants Bank of Canada
Pottenger, John.....Merchants Bank of Canada
Powell, Carlos S.....Banque Jacques Cartier
Pratt, Edward C.....Molsons Bank
Pratt, W. H.....Molsons Bank
Pringle, John.....Bank of Toronto
Pringle, W.....Merchants Bank of Toronto
Proctor, J. R.....Union Bank of Canada
Pugh, Henry J.....Union Bank of Canada
Putnam, Arthur G.....Merchants Bank of Halifax

Racey, E. F.....Bank of British North America
Ramsden, F. G.....Bank of Toronto
Ransom, Wm. Bayley.....Bank of British Columbia
Raymond, S. D.....Imperial Bank of Canada
Read, Chas. N.....Merchants Bank of Canada.
Read, L. B.....Merchants Bank of Halifax
Read, H. L.....Merchants Bank of Canada
Reade, C. W. .....Imperial Bank of Canada
Reed, R. L. Baynes.....Molsons Bank
Reeve, R. F.....Bank of Montreal
Reford, R. W.....Bank of Toronto
Reid, E. R.....Commercial Bank of Windsor
Reid, H. L.....Imperial Bank of Canada
Renshaw, H. A. C.....Merchants Bank of Canada
Reynolds, W. P.....Molsons Bank
Rice, O. F.....Imperial Bank of Canada
Richardson, H. A.....Bank of Nova Scotia
Richardson, J. A.....Imperial Bank of Canada
Richardson, M. A.....Imperial Bank of Canada
Richardson, R. B.....Merchants Bank of Halifax
Richey, M. S. L.....Bank of Montreal
Ridout, A. H.....Bank of Hamilton
Ridout, A. W.....Canadian Bank of Commerce
Ridout, H. E.....Imperial Bank of Canada
Rimington, S. B.....Molsons Bank
Robarts, A. W.....Canadian Bank of Commerce
Robarts, E. C.....Imperial Bank of Canada
Roberts, J. P.....Bank of British North America
Roberts, Wm.....Canadian Bank of Commerce
Robertson, Alex .....Bank of British North America
Robertson, A.....Bank of Nova Scotia
Robertson, Blair .....Bank of Nova Scotia
Robertson, D.....Bank of British North America
Robertson, David.....Bank of Ottawa
Robertson, W. J.....Canadian Bank of Commerce
Robinson, Edward N.....Eastern Townships Bank
Robinson, F. M.....Bank of Hamilton
Robinson, G. A.....Bank of British North America
Robinson, J. A.....Merchants Bank of Canada
Robinson, P. C.....Bank of Nova Scotia
Robinson, R A.....Bank of British North America
Robinson, W. H.....Bank of Nova Scotia

Robinson, Wm. H.....Eastern Townships Bank
Robitaille. G. S. F.....Quebec Bank
Ross, C. A.....Dominion Bank
Ross, R.....Dominion Bank
Ross, W. D.....Bank of Nova Scotia
Rothwell, H. L.....Canadian Bank of Commerce
Rousseau, J. A.....Banque Jacques Cartier
Rowe, A. C.....Bank of British North America
Rowley, A. H.....Bank of Nova Scotia
Rowley, C. W.....Canadian Bank of Commerce
Rowley, H. H.....Bank of British North America
Rowley, O. R.....Bank of British North America
Ruby, A.....Bank of Hamilton
Ruby, Carl.....Canadian Bank of Commerce
Rumsey, A.....Imperial Bank of Canada
Rumsey, C. S.....Traders Bank of Canada
Rumsey, Reginald A.....Canadian Bank of Commerce
Russell, J. A.....Halifax Banking Company
Rutherford, J. McG.....Merchants Bank of Halifax
Ryan, J. W.....Union Bank of Halifax

Salsbury, F. T.....Bank of British North America
Sampson, A. R.....Dominion Bank
Samwell, A. M.....Molsons Bank
Sanson, D. M.....Canadian Bank of Commerce
Saunders, E. M.....Canadian Bank of Commerce
Saunderson, George.....Bank of Nova Scotia
Savage, W. J.....Canadian Bank of Commerce
Schell, H. P.....Canadian Bank of Commerce
Scholfield, G. P.....Standard Bank of Canada
Scott, A.....Canadian Bank of Commerce
Scott, Robert C.....Merchants Bank of Canada
Scott, T. O.....Merchants Bank of Canada
Scott, W. B.....Merchants Bank of Canada
Secord, H. C.....Imperial Bank of Canada
Secord, H. C.....Canadian Bank of Commerce
Sewell, H. F. D.....Bank of British Columbia
Shadbolt, E. M.....Bank of Montreal
Shannon, E. G.....Halifax Banking Company
Shannon, W. T.....Standard Bank of Canada
Sharp, H. R.....Molsons Bank
Sharpe, T. B.....Bank of Ottawa
Shaw, G. H.....Quebec Bank
Shaw, Norman R.....Canadian Bank of Commerce
Shaw, Robert.....Merchants Bank of Canada
Shepherd, D.....Molsons Bank
Shepherd, M. W.....Imperial Bank of Canada
Shreve, F. J.....Merchants Bank of Canada
Sherman, F. J.....Merchants Bank of Halifax
Short, F. T.....Bank of British North America
Simon, J.....Bank of British Columbia
Simpson, A. H. M.....Eastern Townships Bank
Simpson, A.....Ontario Bank
Simpson, C. E. St. C.....Canadian Bank of Commerce

Simpson, D. .....Bank of British North America
Sinter, Thos. S.....Bank of British North America
Skeaff, John Stewart.....Bank of Toronto
Skelton, Arthur C.....Bank of British North America
Skey, A. H.....Bank of Hamilton
Skey, Wm. Russel.....Molsons Bank
Slack, F. W. .....Eastern Townships Bank
Sloane, B. O'R. .....Quebec Bank
Sloane, S. F.....Dominion Bank
Sloane, W. P.....Quebec Bank
Slocock, Edmund.....Imperial Bank of Canada
Smith, Arthur G.....Union Bank of Canada
Smith, A. M..... ...Merchants Bank of Canada
Smith, Chas. C.....Quebec Bank
Smith, Chas. Graham.....Eastern Townships Bank
Smith, Edward F.....Merchants Bank of Halifax
Smith, Fred W.....Union Bank of Canada
Smith, Lyndon.....Merchants Bank of Canada
Smith, Wm.....Merchants Bank of Canada
Smith, Wm. H.....Ontario Bank
Smith, W. Thomson..... .....Traders Bank of Canada
Smythe, J. W. H.....Canadian Bank of Commerce
Snyder, H. M.....Canadian Bank of Commerce
Snyder, L. P.....Traders Bank of Canada
Spencer, A. V.....Merchants Bank of Canada
Spencer, W. A.....Merchants Bank of Halifax
Spier, Wm.....Eastern Townships Bank
Spink, G. A.....Merchants Bank of Halifax
Spinney, G. G .....Bank of British North America
Spragge, G. E.....Imperial Bank of Canada
Sproat, Jno. .....Bank of Hamilton
Spurden, J. W.....Peoples Bank of New Brunswick
Stanger, E.....Bank of British North America
Stavert, W. E.....Bank of Nova Scotia
Steele, E. K.....Imperial Bank of Canada
Steeves, A. A.....Merchants Bank of Halifax
Stephens, W. S.....Molsons Bank
Sterns, G. W.....Halifax Banking Company
Steven, Claude H.....Bank of British North America
Steven, H. S.....Bank of Hamilton
Stevenson, B. B. .....Quebec Bank
Stevenson, H. H .....Molsons Bank
Stevenson, P. C.....Canadian Bank of Commerce
Stewart, D. M.....Canadian Bank of Commerce
Stewart, E. G.....Union Bank of Canada
Stewart, H. Malcolm .....Bank of British Columbia
Stewart, J. A.....Standard Bank of Canada
Stewart, W. J.....Standard Bank of Canada
Stidston, J. H.....Imperial Bank of Canada
Stork, C. M..... .....Canadian Bank of Commerce
Strathy, Frank W.....Union Bank of Canada
Strathy, Stuart.....Traders Bank of Canada
Strickland, C. N. S.....Union Bank of Halifax
Strickland, P. D. E .....Quebec Bank

Strong, F. W.....Merchants Bank of Canada
Stuart, J. H.....Bank of Hamilton
Swaisland, G. W.....Molsons Bank
Swan, H.....Bank of Ottawa
Sweeny, C.....Bank of Montreal
Swinford, A.....Bank of Ottawa
Swinton, Rigby.....Bank of Hamilton

Taillon, A. A.....Banque Nationale
Tait, T. J.....Union Bank of Canada
Tapper, W. H.....Bank of Nova Scotia
Tasker, P. A.....Molsons Bank
Tate, L. E.....Molsons Bank
Tate, J. M.....Canadian Bank of Commerce
Taylor, Frank W.....Merchants Bank of Halifax
Taylor, F. W.....Bank of Montreal
Taylor, George A.....Merchants Bank of Halifax
Taylor, J. .....Bank of British North America
Taylor, Jas. G.....Halifax Banking Co.
Taylor, R. F.....Merchants Bank of Canada
Thomas, J. E.....Canadian Bank of Commerce
Thomas, R. Wolferstan.....Bank of British North America
Thomas, Wm. S.....Bank of New Brunswick
Thomson, A. A.....Bank of Nova Scotia
Thomson, G. A.....Halifax Banking Company
Thomson, H. A.....Molsons Bank
Thomson, W. H.....Imperial Bank of Canada
Thorne, H. S.....Imperial Bank of Canada
Thornton, A. S.....Canadian Bank of Commerce
Thornton, W. O.....Imperial Bank of Canada
Tibbits, A. R.....Peoples Bank of New Brunswick
Tofield, H. A.....Merchants Bank of Canada
Torrance, W. B.....Merchants Bank of Halifax
Townshend, A. S.....Halifax Banking Company
Travers, R. G. H.....Bank of Montreal
Travers, W. R.....Merchants Bank of Canada
Trepanier, J.....Banque d'Hochelaga
Trigge, A. St. L.....Canadian Bank of Commerce
Tupper, W. S.....Merchants Bank of Halifax
Turnbull, T. M.....Canadian Bank of Commerce
Tytler, P. Boyd.....Ontario Bank

Van Felson, A. B.....Quebec Bank
Veasey, G.....Union Bank of Canada
Vessey, A. E.....Bank of Nova Scotia
Vibert, Philip.....Union Bank of Canada
Von Cramer, Donald.....Merchants Bank of Halifax

Wadsworth, W. R.....Bank of Toronto
Waddell, J. B.....Union Bank of Canada
Wainwright, G. C.....Bank of Ottawa
Wainwright, J. R.....Molsons Bank
Walcot, C. W.....Merchants Bank of Canada
Walkem, H. C.....Bank of British North America

Walker, A. H.....Imperial Bank of Canada
Walker, Alex.....Traders Bank of Canada
Walker, H. B.....Canadian Bank of Commerce
Walker, J.....Quebec Bank
Walker, J. M.....Bank of Nova Scotia
Walker, C.....Dominion Bank
Wallace, James B.....Merchants Bank of Canada
Wallace, R. G.....Bank of Nova Scotia
Wallace, R. R.....Bank of Montreal
Wallace, W. J.....Bank of Montreal
Wallace, Wm.....Molsons Bank
Wallace, W. S.....Bank of Hamilton
Walsh, Ed.....Merchants Bank of Halifax
Walsh, J. W. B.....Dominion Bank
Ward, E. E.....Molsons Bank
Ward, Frank B.....Bank of British Columbia
Warden, W. McC.....Bank of Toronto
Waters, D.....Bank of Nova Scotia
Watson, H. M.....Bank of Hamilton
Watson, Jas.....Union Bank of Canada
Watson, Jas.....Traders Bank of Canada
Watson, J. B.....Imperial Bank of Canada
Watson, J. W. G.....Bank of Montreal
Watson, W. W.....Bank of Nova Scotia
Watt, J. Nelson.....Bank of Hamilton
Waud, B. H.....Molsons Bank
Waud, E. W.....Molsons Bank
Webbe, R. J. M.....Molsons Bank
Wedd, G. M.....Canadian Bank of Commerce
Wedd, L. E.....Bank of Hamilton
Wedd, John C.....Dominion Bank
Weir, Arthur.....Banque Ville Marie
Weir, W. A.....Imperial Bank of Canada
Wemyss, J. M.....Imperial Bank of Canada
West, S. J.....Merchants Bank of Canada
Wethey, C. H.....Imperial Bank of Canada
White, Chas.....Imperial Bank of Canada
White, G. A.....Peoples Bank of Halifax
White, H. R.....Peoples Bank of Halifax
White, Frank W.....Eastern Townships Bank
Whitely, A. L.....Imperial Bank of Canada
Wickson, Arthur.....Merchants Bank of Canada
Wiggins, C. Malcolm.....Ontario Bank
Wilkinson, R. G.....Imperial Bank of Canada
Williams, A. E.....Bank of Nova Scotia
Williams, Geo.....Bank of British Columbia
Williams, H. F.....Eastern Townships Bank
Williams, R. S.....Canadian Bank of Commerce
Williams, Thos.....Bank of Toronto
Williamson, Geo.....Molsons Bank
Willis, J. M.....Ontario Bank
Wilmot, K. Eardley.....Bank of Montreal
Willmott, J. S.....Merchants Bank of Canada
Wills, H. T.....Canadian Bank of Commerce

Wilson, Alex.....Bank of Nova Scotia
Wilson, A. E.....Bank of Montreal
Wilson, Geo.....Imperial Bank of Canada
Wilson, G. H.....Bank of Montreal
Wilson, G. M.....Merchants Bank of Canada
Wilson, H. B .....Molsons Bank
Wilson, J. H.....Imperial Bank of Canada
Wilson, J. H.....Bank of Montreal
Wilson, J. M.....Imperial Bank of Canada
Winlow, F. J.....Traders Bank of Canada
Winslow, E. P.....Bank of Montreal
Winslow, F. E.....Bank of Montreal
Winter, G. H.....Bank of British North America
Wood, H. H .....Imperial Bank of Canada
Woodill, R. A.....Peoples Bank of Halifax
Wrenshall, C. M.....Merchants Bank of Canada
Wurtele, Carl F.....Quebec Bank
Wurtele, H. N.....Merchants Bank of Canada
Wyld, Ernest A.....Bank of British Columbia

Yeo, Lowman .....Bank of Nova Scotia
Young, Chas. R.....Merchants Bank of Canada
Young, W. C.....Merchants Bank of Canada