NELSON ALDRICH

Monetary Commission

MISCELLANY

PARIS, FRANCE, August 25, 1908.

INTERVIEW BETWEEN HON. EDWARD B. VREELAND, SENATOR JOHN W. DANIEL, AND HON. JESSE OVERSTREET, OF THE NATIONAL MONETARY COMMISSION, AND BARON BRINCARD, ADMINISTRATOR OF THE CREDIT LYONNAIS.

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In opening the interview, Mr. Vreeland, on behalf of the subcommittee, asked the Baron for a copy of the latest statement of the Credit Lyonnais. The Baron furnished the members of the subcommittee with their last statement (that for June 30, 1908), which is as follows:

ASSETS:

1. Specie in banks and other specie	Fr.	169,047,090.38
2. Commercial paper and public securities (municipal)		1,212,691,267.30
3. Advances upon collateral		349,709,955.99
4. Overdrawn accounts		495,286,739.91
5. Stocks and bonds kept for sale		8,745,232.09
6. Real estate		35,000,000.00
7. Everything else - stamps, rents paid in advance, stationery, supplies, etc.		25,289,390.27
		2,295,769,675.94

LIABILITIES:

1. Deposits of people living on income	Fr.	758,007,698.31
2. Business accounts, government accounts, and all accounts		924,950,488.90
3. Acceptances on commercial paper		106,432,409.52
4. Bonds given to customers against time deposits		51,889,576.86
5. Every liability not included above		79,489,502.35
6. Reserve (surplus)		125,000,000.00
7. Capital		250,000,000.00
		2,295,769,675.94

In the interview which follows, the questions are all by Mr. Vreeland and the responses by Baron Brincard.

Q. Is this statement which you have just submitted to us published every month? A. Yes.

Q. Is that a requirement of law? A. No, it is a requirement of our own bylaws.

Q. How often does the government require you to publish a statement of the condition of your bank? A. Once a year.

Q. Do you publish these monthly statements in the newspapers? A. Yes, but on our own responsibility.

Q. Can you let us have, for the use of our Commission, one of your last annual statements, such as is required by law? A. Certainly.

(Note: Baron Brincard furnished a copy of the statement referred to, as requested. This statement is in French, and was filed with other papers of the Commission, to be translated).

Q. Is this the only statement published in the newspapers? A. At the general meeting which is held every year at Lyons, that statement is read to the shareholders, and it is also published in very many newspapers.

Q. Would your Board of Directors have authority to change the form of the monthly statement if they desired to? A. Yes. Our Board of Administration has a very direct and a very active part in the management of the bank. It never takes an important resolution, however, ~~xithxit~~ without the concurrence of the President.

Q. The first item of this monthly statement is 169,000,000 francs in your bank and in other banks. Is that your cash reserve against deposits? A. Yes, that is our cash reserve for every day payments - what we might call "till money." If by any chance it was found that this sum would not be sufficient, we would at once take paper out of the next item and send it to the Bank of France and get cash.

Q. Do you keep any portion of your cash reserve in the Bank of France? A. We generally lay in the day before what we think will be necessary for the business of the following day. We have an account current at the Bank of France, in which we keep certain sums that we do not need. By far the greatest quantity in the first item is in our own banks and agencies.

Q. "Cash in other banks" - was that deposited by your bank with them, or is it money that would be due to you from them, but has not been remitted? A. It is money which we keep there to the credit of our account; for instance, where paper is to be

discounted and the money is paid into the banks where the transaction is performed.

Q. Would money due from the Bank of France necessarily be paid in specie? A. The Bank of France is obliged to pay in specie, but either in gold or silver. If they should pay in notes, we could demand the specie on the notes.

Q. Item 2 of the Assets is "commercial paper." We found that in England they did not have commercial paper as we do in America. A. We never have any commercial paper of the kind you speak of. We have no promissory notes. We call that kind of paper "paper of politeness or civility," but we do not consider that good paper. When one business firm delivers to another a certain amount of goods which are to be paid for in three months, and receives a note for the amount, this is a bill of exchange and we accept it. The man who delivers signs and the man who pays signs, and the first one takes it to his own banker and he discounts it.

Q. We would like to know a little more in detail about the public securities mentioned in the second item. Do these include French rentes? A. No, only treasury bonds. They are like New York city revenue bonds.

Q. Have you actually in this very item any New York revenue bonds? A. Yes; they are temporary bonds in anticipation of revenue, repayable in one or two months. Also, we have treasury bonds of foreign countries.

Q. What proportion of the second item is commercial paper? A. It is almost entirely commercial paper. The proportion varies, but it is always very largely commercial paper.

Q. It is not, I believe, the policy of your bank to buy long-term public securities in large amounts? A. No; our idea is to buy all the commercial paper that we can get. That is our business. At present it is almost impossible to get any commercial paper because business is so slack; therefore, we are obliged to go outside and buy treasury bonds.

Q. Your bank does not own much government debts? A. No; all the bonds, etc., are included in the 8,000,000 francs of the fifth item.

Q. Would not this class of securities be a quick asset in time of need? A. No; on the contrary, the first two items of liabilities are at sight, and we may be obliged to pay them any day; therefore, we must have assets on which we can realize quickly. The people here are very nervous, apprehensive, and impressionable, and they must know that a bank has plenty of gold. If we had stocks and bonds we would have to sell them at a time when we could not get a good price for them.

Q. If you should have to sell, other banks would have to sell, and that would throw them on the market at the same time? A. Certainly. In England I think they are obliged to invest a certain amount of money in consols, but we consider that a most dangerous system.

Q. But there the banks do not expect to sell them, but to go to the Bank of England and get advances on them? A. Yes, but the English are very different from our people. Our people are very nervous and would not stand that sort of thing. We might have government bonds and take them to the Bank of France, but

they might fall in value, and we would have to sell at a great loss. The two systems are totally different. ~~We find the English system extremely dangerous. I ought to add, however, that all banks in France are not of my opinion on this~~ subject.

Q. Do not the French public own most of the French rentes? A. Yes, and not the banks.

Q. How much New York city bonds do you carry? A. Sometimes two or three million dollars.

Q. The 3rd Item is "Advances Upon Collateral;" what is this made up of? A. Government bonds, railroad stocks, gold mines, Transvaal stocks, etc., etc. We advance money on every sort of security that is good, whereas the Bank of France is very limited in this regard, only being able to lend on French Government securities and on French railroads. The main thing with us is the man or institution to which we are lending. We pay more attention to that than to the security.

Q. How much margin do you require on a railroad bond? A. Thirty to forty per cent; it depends upon the collateral and the individual to whom the loan is made. The better the individual and the better his collateral, the less margin is asked; but we always require at least 20 per cent. That is the margin that is imposed on the Bank of France.

Q. What class of people borrow on that item? A. A great many private individuals living on their incomes.

Q. Stockbrokers? A. No, private individuals.

Q. Do you loan to stock brokers generally?

A. Only the seventy brokers who have a monopoly of the stock exchange. This is a special association of brokers, each of whom are liable for the debts of all the rest. A ~~stockholder~~ speculator buying for a rise and not being able to pay in cash, borrows money from one of these brokers, and the broker comes here and says, "Will you advance money to this man?" In this case we lend to the broker for the man, but the broker is the responsible party to the bank.

Q. Item No.4 is "Overdrawn Accounts," about 500,000,000 francs. That is a system you have of giving your customers a credit on your books, to be drawn against whenever they wish? A. Yes.

Q. You do not figure interest on these accounts until they are actually drawn against? A. No, of course not.

Q. For instance, a tradesman comes in and gets a credit of 50,000 francs; that is placed to his credit for him to draw against? A. Yes, but he will only owe us interest on the sum he actually draws. A great part of these accounts are against collaterals.

Q. What kind of securities? A. Only marketable stocks and bonds that are easily negotiable.

Q. A large proportion of this sum is on collateral? A. Yes.

Q. What class of people borrow on that item? A. Bankers and business people.

Q. Manufacturers? A. Yes, sometimes, but mostly bankers. In the case of people we know very well we give credit without security. In the case of others we demand security, but to people we do not think well of we do not extend credit under any circumstances.

Q. Is 500,000 francs your limit to one individual or firm on credit? A. No.

Q. A merchant in whom you have confidence comes to you, you investigate him and find out he is solvent and responsible. You would lend him on this item? A. Yes, if we thought well enough of him, we would give him a credit without security, but if not we would demand security. This class of loans occurs only for a short time during the b usiness season. Our theory is that every merchant ought to have enough capital to go on by himself in normal times, but there are times in the busy season - say three or four months - when he will need more capital, and then he comes to us and we lend him money under this item.

Q. What kinds of banks are these that you lend to on collateral? A. Mostly foreign banks; for instance, banks in New Orleans during the cotton season. We do not lend to banks in this country under this item, but to a great many French merchants. It is not to our interest to lend to French banks. We lend money to foreign banks and to French merchants, but never to foreign merchants or to French banks. We never lend on real estate. That is the business of the Credit Foncier. The Credit Foncier gets its money by issuing long-term bonds of 40 or 50 years, and therefore they can loan on real estate because they do not have to get money quickly.

Q. The first item of Liabilities - Deposits of people living on income; these are deposits of people who expect to leave the money on deposit a long time and receive interest? A. People who live on their income and are not in business. Instead of

keeping the money in their own house, they will deposit it here and draw against it by checks. These are not very active accounts.

Q. Do you pay interest on such an account? A. One half of one per cent; but they can draw it out whenever they like. It is payable on demand. The lower the interest our bank pays, the greater deposits we receive. It costs us less than any other establishment in France to get money, and yet we have the largest deposits. Sometimes we not only pay no interest, but we make people pay to open an account.

Q. In Item 2, what do you mean by "government accounts?" A. Foreign governments - Russia, Japan, Italy, and so on, and also accounts of cities.

Q. The City of Paris? A. No, the City of Paris attends to its own financing.

Q. Is interest paid on the accounts included in Item No.2? A. We pay as little as we can, but the rate varies. It depends upon the rate of discount of the Bank of France and also on the credit of each depositor. A merchant with a very excellent credit will insist upon our paying more interest than one with indifferent credit. The average is about one and one half per cent less than the rate of discount of the Bank of France.

Q. Then most of these accounts draw interest? A. Yes; this is very easy to understand, because these accounts belong to people with tremendous financial interests who are accustomed to bargaining and who are actively engaged in business. Another reason is that we derive profits in one way or another from this class of customers, whereas from most private accounts we get no profits.

Q. Do any of the smaller independent banks in the country keep accounts with you? A. Very rarely; hardly an appreciable amount. The little banks dislike us because we have our branches everywhere.

Q. Take your small independent banks in the country - a tradesman in a little village of 2,000 inhabitants wants to pay for a bill of goods in Paris. He sends his check on one of these small banks to the wholesaler here in Paris. How would that check be paid? A. We would discount the check if the bank was good. We would charge him what we call exchange.

Q. How would you get your money from the country bank? A. Through our branch in that town.

Q. Suppose you had no branch there? A. We would probably have some notary or official in that locality who would present the check and draw out the money and deposit it in our nearest branch.

Q. None of these banks would keep a branch in Paris? A. No; wherever we feel there is the least chance of a bank being profitable, we establish a branch. The custom is in the country district for the country people to go to the nearest big town, and these people do business with our branch banks.

Q. Item No.3 - "Acceptances on Commercial Paper." What is this commercial paper? A. Commercial paper is a bill which is drawn by one merchant on a man to whom he has sold his goods. If an American sells cotton to a French manufacturer, he will draw on him. That is what we call commercial paper. We give two sorts of credit - cash credit, which customers draw out at once, and credit which they draw against.

Q. Item No.4 - "Bonds Given to Customers Against Time Deposits." What sort of bonds are these? A. Three and five year bonds; certificates of deposit due in a stated time, paying about two per cent interest.

Q. These bonds say that at a given time you will pay the money at so much interest? A. Yes.

Q. Have you got statements of any other banks that you could let us have? A. I have not any at hand, but can procure you all you wish and send them to you.

Q. How many individuals must associate together to start a joint stock bank? A. Seven. Not only every bank, but every corporation, or what we call "anonymous society," must consist of at least seven persons.

Q. What is the minimum amount of capital required? A. There is no minimum, but at least one fourth of the capital is required by law to be actually paid up.

Q. Do they usually pay up all the capital? A. No, it depends on circumstances.

Q. How about the big banks of Paris? A. Our institution and the Comptoir d' Escompte are all paid up.

Q. How many large joint stock banks are there that have branches? A. Only three - the Credit Lyonnais, the Comptoir d' Escompte, and the Societe Generale. We consider that it is very much better for a bank to have its capital paid up, because in case of failure it is very hard to get in the unpaid capital.

Q. Are there any other great banks having their principal office in the other cities of France and having branches through the country? A. No.

Q. Then there are really only three great joint stock banks in France of this kind? A. Yes.

Q. What is the liability of stockholders? A. Only what is actually paid in.

Q. What do you call the principal officer of your bank? A. President of the Council of Administration.

Q. Do you have a Vice President? A. We have two Vice Presidents.

Q. Do they take an active part in the affairs of the institution? A. Yes.

Q. In addition to the President and two Vice Presidents, you have a Council of Administration? A. Yes.

Q. Of how many members does this consist? A. Our present Council of Administration consists of twelve members, but we can have fifteen.

Q. What is the term of office of the President? A. One year.

Q. By whom is he elected? A. By the Council. The Council names the Administrators, and the Administrators elect one of themselves President.

Q. The administrators are elected by the shareholders? A. Yes, upon the recommendation of the Council of Administration.

Q. What is the term of office of the members of the Council of Administration? A. Five years. You can get all of these details in regard to our organization from this pamphlet which I hand you.

(Note: The pamphlet referred to contains the organization and bylaws of the Credit Lyonnais. It is in French, and is filed with the papers of the Commission, to be translated).

Q. Does the government take any steps to see that at least one fourth of the capital is paid in? A. The notary (a very important government officer which you do not have in the United States, and who is not in any sense the kind of official which you describe as a notary) is responsible financially. All of these banks are started in a notary's office, and he is responsible for one fourth of the capital being actually paid in.

Q. Does the government give any further attention to the management of the bank besides requiring an annual report? A. No.

Q. How long does your charter run; is it perpetual? A. It runs to 1960.

Q. How many shareholders have you? A. Fifty thousand.

Q. What is the amount of a share? A. Five hundred francs, and they are worth now twelve hundred francs on the stock exchange.

Q. Is there any restriction under law or under your bylaws as to loans made to directors or officers of the bank? A. So far as the law is concerned, there is none; but, as a matter of fact, no director of officer would ever apply for a loan. They could, but they never do.

Q. What class of men do you have as directors or members of the Council of Administration? A. The present President has been employed here ever since the institution was founded. The Vice President has been in the bank since 1878. Other administrators are usually old heads of departments.

Q. In regard to cash reserves which you carry to pay deposits - do you carry most of these in your own bank or in its branches? A. We carry it all ourselves.

Q. What per cent of your deposits do you intend to carry in cash either in your own banks or in other banks? A. Six to eight per cent.

Q. You have got about ten per cent in this statement? A. That is too much. That is more than we need. We intend to carry only from six to eight per cent.

Q. Let us go back for a moment. The commercial paper and public securities mentioned in the second item of Assets - you could take any amount of that to the Bank of France and get the money on it? A. A good proportion of this is bankable; not everything, but the greater part.

Q. What are the requirements to have the paper accepted by the Bank of France? A. It must be commercial paper, with three signatures and with not over three months to run. Sometimes the Bank of France takes financial paper, but they do not take very much.

Q. Then you consider all of that item as a reserve? A. In order to repay the money of the depositors who want their money quickly, 95 per cent of the second item would be immediately available. A great part of the third item also could be utilized immediately. Everything that is called "report" comes in every 15 days.

Q. Suppose a great European war should break out and the Bank of France should suspend specie payment but continue to issue notes, would your depositors feel satisfied with the notes in payment? A. Immediately upon the breaking out of a war, the Bank of France would suspend payments. Our bank could not be blamed for paying in the same kind of money that the Bank of France

paid. When the Bank of France suspends, their notes are legal tender.

Q. Are they legal tender now? A. No; but the people greatly prefer to have bank notes because they know they are realizable, but they are not legal tender.

Q. In case of a war and the bank suspending payment, they would give you notes for commercial paper, and these notes would be a legal tender for paying your depositors? A. There would be a law authorizing the suspension of specie payments, and making the notes legal tender. Russia carried on a great war with Japan without suspending specie payments.

Q. What portion of these loans in the assets are call loans? A. The proportion is very variable. We know what the proportion is at any given time, but do not make it public.

Q. Are not the overdrawn accounts payable on demand? A. Usually we give the right to overdraw for a month or two.

Q. Is that put in writing? A. Yes, always. We allow latitude as to time to business people in this connection. We would have the right to call in one, two, or three months; but, as a matter of fact, we do not.

Q. Let us take up the question of discount rates. Do your big banks follow the Bank of France rate? A. We have two discount rates in France - that of the Bank of France, which is the official one, and then the rate outside of the Bank of France. At the present moment our discount rate is one per cent; the official rate being about three per cent.

Q. Does the Bank of France ever loan below its published rate. A. No, it never does.

Q. To what extent are checks used in your business? A. Almost exclusively now everywhere in France - that is, by our own customers. The use of checks, however, is not as general here as in America or England. For instance, in Paris you cannot pay your rent by check.

Q. How do you pay your bills, Baron, for drygoods, supplies for your household, etc? A. Always in checks. I hardly ever carry more than a hundred francs in actual money with me.

Q. What proportion of the business of France is done by checks and what by actual money? A. I do not know.

Q. I understand none of the farmers or peasants will use checks? A. Never.

Q. How about your tradesmen all through the small towns and the doctor and lawyer and professional man - would they draw the money out and pay their bills in cash? A. Certainly.

Q. How about the payrolls of manufacturers? A. Always in money.

Q. How do you pay your own employees? A. Always in money.

Q. Is the Bank of France obliged by law or by custom to accept bankable bills of other banks? A. They are not obliged by law, but that is their business, and there would be no reason for their existence if they did not. They have the power to refuse, but they never do if the paper is good.

Q. What is your theory of why the Bank of France keeps such an enormous specie reserve on hand? Is it not very unprofitable? A. One reason is that the people do not want the gold in their pockets. They prefer to have it in the Bank of France and get notes for it. The bank has to issue notes for all the gold on deposit. An enormous amount of gold arrives in France - more than

in any other country. Also, the Bank of France can issue notes on gold and pay the notes in silver. The more paper currency becomes popular, the more the gold stays in the Bank of France.

Q. Do your people hoard money much? A. They used to, but it is now the custom to put money in the banks. Thirty years ago they kept the money at home.

Q. Then people are hoarding money less as banks and branches increase? A. Yes.

Q. Have you ever had any runs on any of your branches by depositors? A. Several times, particularly when there was a smash here some years ago, caused by the Union Generale.

Q. What proportion of your own payments are made in gold? A. A very small proportion. The people prefer notes.

Q. Have you ever had any runs on your branches since the big bank failure in the 80's? A. We have never had a run since the smash of the Union Generale. In 1889, when the Comptoir d' Escompte went to smash, the people drew out eighty millions from our bank, but the next day they brought back one hundred and twenty millions.

Q. Do you think this large amount of gold the people keep outside of banks is because they are afraid to put it in banks? A. One of the reasons is that a great many country people have no banks near them. This is one of the chief reasons. The proportion of banks in America is so much more enormous than in any other country that you cannot realize the inconvenience of the country people in France.

Q. How about postal savings banks? A. They have considerably reduced the amount of money that is hoarded; but the diffi-

culty of getting the money out of the postal savings banks, the writing and time and trouble it takes, is a drawback to the more general use of them.

Q. How many branches do you have in Paris? A. Fifty-four.

Q. How many outside? A. Two hundred and twelve. In 1898 the total number of branches, including Paris and outside, was two hundred and fourteen.

Q. How many employees have you altogether? A. Fourteen thousand.

Q. Do you buy up many of the independent banks through the country? A. No, never.

Q. What becomes of them? A. Some fail, some of them just wind up. We have a statement here which gives the number and cause of all the failures in France for a number of years. We cannot give this statement to you, because it is confidential, but we will be glad to give any members of your Commission an opportunity to examine it here at any time they may desire.

Q. When you establish a branch in a village, you generally find a local independent bank there. Can this local bank compete with you? A. There are certain places where the private banks have kept going, but the tendency is for the private banker to disappear. ~~We are the bankers of the democracy~~. We take small sums and have numerous branches. We take in every small deposit of the public. One great distinction is that the private bank is always in the hands of a family. A man who originally starts a private bank may be a good banker and financier and business man, but it does not always follow that his son, who, in all likelihood, will inherit the business, will be capable of running it. These

joint stock banks do not go from father to son, but are always under good management.

Q. Do you not have small joint stock banks in the small towns? A. No; some few, but not enough to amount to anything.

Q. Do you not have in the larger cities, like Lyons? A. There is one in Marseilles and one in Lyons, but the business is very small and there are no branches. The only other bank in Paris beyond those named is the Credit Industrial and Commercial, which has twenty-three branches and eighty million francs (capital or deposits?).

Q. Do you know what the size of the territory is in which the Bank of France is compelled to establish a branch by its charter? A. Branches are established in accordance with the importance of the district, but each time the charter of the Bank of France is renewed, the government demands that it establish certain new branches.

Q. Do the people outside of the banking business, in the towns - the merchants and manufacturers - favor the branch banks or do they prefer the local banks? A. The field covered by the two is entirely different. The private banks lend on anything - houses, furniture, etc. We will not lend on anything that is not immediately realizable.

Q. Do you add new capital when you put in new branches? A. We enlarged our capital in 1900 from 200,000,000 to 250,000,000 francs, but this was on account of general business and not on account of branches.

Q. Are the managers of your branch banks usually people from the immediate locality in which the branch is situated, or do you

send Frenchmen there as managers? A. We always take our employees from some other place than that in which the branch is located. We never buy the buildings of any other bank or take any of their employees.

Q. Do the three great joint stock banks cooperate in the matter of rates of discount or do they have any agreement or understanding about such matters? A. No, they never consult with each other in any way. They are on very good terms, but they do not consult together. There is no agreement on rates of discount. The mere fact of competition compels each of them to do the best business they can.

Q. Would these joint stock banks like the right of note issue that they used to have? A. No, not for anything in the world. They think that the system of note issue by the Bank of France is by far the best for this country.

Q. Is there any sentiment among the people for any change in your banking system along any lines? A. None whatever. The public appreciate exceedingly the present banks and their systems and do not desire any change. The joint stock banks were created for, and have to accommodate and adjust themselves to, the needs of the people of France.

Q. Do you keep large amounts of money in your branches, or is it your policy to bring the money from the branches to Paris? A. We keep one-fourth of all our cash in Paris.

Q. To what extent do managers of the branches make loans on their own responsibility? A. Every one of our sub-agencies is a complete little bank in itself, with regulations of its own, and the managers do not consult much with the main bank. They

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LONDON, ENGLAND, August 20, 1908.

STATEMENT OF MR. LEON RUEFF, MANAGING DIRECTOR OF THE LONDON BRANCH OF THE SWISS BANK, BEFORE A SUBCOMMITTEE OF THE NATIONAL MONETARY COMMISSION.

Present: Senator Aldrich (Chairman), Senator Hale, Senator Daniel, Representatives Vreeland, Overstreet, Burton, and Padgett. Present also, Mr. H. P. Davison, of New York, and Mr. George M. Reynolds, of Chicago.

Mr. RUEFF:

We have in Switzerland 22 Cantons, which are absolute States. They are all autonomous and have their own special arrangements, and nearly all have cantonal banks. Part of these banks had the capital given by the Canton, either in the form of cash or in the form of securities or bonds of that Canton.

Canton Zurich has a cantonal bank which has got its capital through the State issuing a fixed loan and handing over the proceeds to the bank as its initial capital. This was done for the purpose of issuing bank notes, and the law was for a long time that they had to have a capital of their own - what they called guaranteed capital - actually allotted to the bank; and according to law they could issue a certain ratio of notes, which notes, however, had to be covered by 40 per centum in gold and legal tender (5 franc pieces, etc.). The other 60 per cent had to be paid in liquid assets.

In those liquid assets, as long as the cantonal bank existed,

were included bills with two well-known signatures, either Swiss or foreign, cash in hand, and advances on Swiss government securities or cantonal securities.

Agitation has been going on for 20 years to end that monopoly in the hands of the Federal Government. We have the referendum. We started to legislate, and a popular vote was asked for on Article 39 of the Constitution, which gives the exclusive right of issuing bank notes to the Federal Government, which had the right to hand it over to a bank. After this was rejected by the people by a popular vote, another attempt was made in 10 years. Article 39 remained in the Constitution, but was a dead-letter on account of not being able to come to an understanding whether they would have a state bank or an absolutely private bank which would be free of the influence of the State, with money belonging to shareholders and with the right of control by the government, like the banks of France and of Germany.

Two years ago they passed a law which was accepted. Another referendum was asked, and it passed on October 6, 1905. The law was published October 11, 1905. It was delayed by opposition until the 9th of January, 1906, but the opposition did not succeed in getting together the necessary 30,000 signatures, and it became a law on January 9, 1906. Some interests were opposed to it, but nevertheless it became a law on January 9, 1906.

This law provides (Article 1): The Federation gives the exclusive right to issue bank notes to a central issuing institution created in conformity with the provisions of this law, under the name of "Swiss National Bank." This bank has all the rights of a

civil person, and is administered with the consent and under the supervision of the Federation.

The national bank has for its principal object to serve the Swiss Government, to regulate the monetary market, and to facilitate operations of payments. Besides this, they will undertake, without any cost, to serve the Treasury of the Federation as far as this service shall be delegated to them.

I have here an article from the London Financial Times of November 2, 1905, on the Swiss National Bank, which I will read:

"The bank has a capital of 50,000,000 francs. There are 100,000 shares of 500 francs each. Two-fifths of this amount will be subscribed by the Cantons, one-fifth by the existing banks of issue, and two-fifths by the public. Only Swiss citizens or corporations domiciled in Switzerland can be shareholders."

State banks and private banks,under the limitations which existed at that time, issued notes, but there was no State or Cantonal currency. Everybody had the right themselves, if they conformed to certain conditions, to issue notes. Later on it was made necessary to specially apply for this right. You had to have a minimum capital of so much, and your issue was limited to a certain proportion of your capital. The notes, however, had to be covered by 40 per cent in gold or legal tender, and the other 60 per cent had to be in quick assets. That was the former arrangement, but it has been changed many times. It has been made so stringent that banks could find no profit in it, on account of rates and advances to the Federal Government and Cantons.

"The operations of the bank will be strictly limited to -

1. The issue of notes.
2. The discounting of three months' bills bearing two signatures.
3. The sale or purchase of foreign bills or checks payable in specie.

4. Advances for three months upon the security of bonds, but not upon shares.
5. Transfers and money orders.
6. Purchases for its own account, but only as a temporary transaction, of the bonds of the Federal or Cantonal Government or of foreign States, provided they are payable to bearer and of easy realization.
7. Purchase and sale of gold and silver specie and bullion, and advances upon the same.
8. Issuing of gold and silver certificates."

They can get on deposit gold or silver bars or foreign coin at a certain ratio and issue their notes against it. Coins should be delivered in 2 1/2 kilogram lots or pieces of the same denomination. Advances are made on the basis of 3,000 francs on the kilogram of gold, nine-tenths fine.

"9. Interest-bearing and non-interest-bearing deposit accounts."

They cannot give any interest to anybody but the Federation. This is to prevent the national bank from competing with other banks.

"10. The safe keeping of scrip and objects of value.
11. Subscription on commission of a third party to Federal and Cantonal loan issues, but without participation in the same."

They cannot take part in any underwriting syndicate.

"The bank will publish its loan and discount rates at regular intervals, and will issue bank notes of the denomination of 50 francs, 100 francs, 500 francs, and 1,000 francs. Its note issue will have to be balanced to its full amount by a 40 per cent specie reserve and 60 per cent bills, discounted at home or abroad. It will also be obliged to hold a reserve to balance all of its short-term engagements - all that are terminated in 10 days.

The distribution of profits is minutely provided for. Ten per cent of the profits go to the reserve fund; 40 per cent ~~is~~ the maximum dividend payable upon shares; the surplus will be handed over to the Federal Treasury, to be deposited to the credit of the various Cantons, upon a special scheme."

The Swiss National Bank has no tax to pay upon their issue, and the private banks have to pay taxes.

"All Cantons in general will receive for the first 15 years an indemnity of 30 centimes per capita, while Cantons which draw profits from their cantonal banks will receive a special distribution. After the first 15 years, every Canton will receive 80 centimes ~~from~~ per capita, and in case the surplus in any financial year is insufficient to meet these payments, the Federal Council will advance the sums necessary to pay the indemnities."

This is to take the place of the amounts formerly received from the taxes on private banks. The Federal Government has all import duties and customs with which to pay these amounts if the bank should not make sufficient profit. The Government has no right of direct taxation, but they have some monopolies. The surplus is to be used for the payment of the bond issue, and part of the surplus goes to the Cantons because they had to give up the taxes.

The State has acquired the railroads, and the transaction should be completed in 6 years. They are an absolutely separate institution. The revenue does not go into the general fund of the State. Out of the surplus they have to provide, first, the loans, and they have to make provisions for payment of all the debts outstanding, while the other surplus remains as a reserve fund.

I will now give you some of the principal regulations governing the conduct of the bank.

The shares are only transferable by endorsement, and this transfer must be approved by the committee of the bank. If the approval is not given with unanimity, the council of the bank gives its decision.

The national bank is bound to accept without interest, in all its branches, payments for account of the Federation and to make all payments for their account equally, without any cost, but only

up to the credit balance of the Federation with the bank; to receive any deposit, and, at the demand of the Federation, without any cost, all securities which belong to it or which are placed in its administration (to take for safe keeping all securities which belong to the Federal Government, and all different funds, like pension funds, etc.).

They have to publish a statement every week, and I have brought you the last one, dated the 15th of August, 1908, and also one of about a year ago, dated the 7th of August, 1907. All statements are published in two languages - French and German - but the bank notes are in three languages - French, German, and Italian.

By one of the Commission: Sixty per cent foreign and domestic bills - what does that mean?

Mr. Rueff: They have no right to discount under the official rate. There is no private rate of discount. They cannot buy bills, because they have the competition of all the other banks. The official rate now is 3 1/2 per cent and the private rate is 3 1/8 per cent.

The first object of the bank is not to make dividends or to issue notes, but to regulate the monetary system.

Profits: Ten per cent will be taken for a reserve fund, but there cannot be more than 500,000 francs in one year for this purpose. This is to prevent the committee of the bank from making big reserves so that the Cantons would get less. Afterwards, 4 per cent maximum dividend to the shareholders.

The only indemnity which has to be paid by the national bank to the Federation, and which is given up by the Federation to the

Cantons, is composed of the following elements: 50 centimes per 100 francs of the authorized issue on the 31st of December, 1904, on the territory of each Canton; 30 centimes per capita in each Canton on the population as given by the last Federal census.

(Note: Here Mr. Rueff suspended the reading of the law, saying that he would leave a copy with the Commission).

The bank is the clearing house and for giving free transfers from one city to another. They have accepted what the Reichsbank did a few years ago - they have asked to open an account with them, and to have all these facilities which they give, they tax everybody a certain amount in proportion to their "turn-over" to the bank.

~~By a member of the Commission~~: How many branches has the central bank?

Mr. Rueff: Eleven.

Now, as to Board of Management and Control. First, the general meeting of the shareholders, then the council, or committee, of the bank. The local committees and the control commission have the general management and the local management.

The council of the bank is named for four years; 15 designated by the meeting of the shareholders and 25 by the Federal Government must be representatives of finance, commerce, industry, arts, etc.

The nomination of 40 members will be made in the following way: The Federal Council nominates, in the first instance, the President and Vice President. After that the general meeting of shareholders nominates 15 members and gives notice to the Federal Council of the nominations which they have made. The Federal Coun-

cil, after receiving that nomination, proceed to the nomination of 23 other members, of which not more than 5 can be members of the Federal chambers and not more than 5 be members of the governments of the Cantons. In the choice of these 23 members, an equitable representation will be assured to the leading banking centers and the principal centers of commerce and industry. The members of the Council do not have to deposit shares as qualification for membership.

Mr. Aldrich: The rest of the statute is taken up by the details of how it is organized.

Mr. Overstreet: How long does the President act as President after being designated by the council?

Mr. Rueff: Four years.

This legislation was a compromise between the radicals, who wanted state banks, and the conservatives, who wanted a central bank. The Federal Government guarantees the Cantons a certain income for having taken away the taxes of their banks, but there is no guarantee of the 4 per cent dividend.

Mr. Aldrich: Was there much discussion in your Parliament?

Mr. Rueff: A great deal; it has taken 20 years' fighting to accomplish this result.

Mr. Aldrich: Is there any way that we can get the main features of that discussion; that is, the speeches of the principal people who have taken part in it and the arguments used by both sides?

Mr. Rueff: I have no doubt it can be procured in Switzerland.

Mr. Vreeland: It seems they were all in favor of some centralized authority of one kind or another. What were the conditions of

the country which led everybody to desire the centralization of their note issues and banking power?

Mr. Rueff: We have not gone as far as having exchange between Berne and Zurich, but sometimes it has been difficult to transfer money from one place to the other. Those banks were individual banks which looked for profits and not for the interest of the community. At certain times, such as your crop-moving times, it was very difficult to get the notes and to get the money transferred. They were afraid that perhaps one of these institutions might not be quite sound. This has not happened, but it might have happened.

Mr. Vreeland: Was there any distrust of banks in one Canton and banks of another Canton?

Mr. Rueff: There was a very rigid supervision by Federal comptroller. Therefore, as regards the bank notes, there was no distrust; but as regards the management of certain banks and other business, there was some distrust. To prevent these difficulties, in the seventies or eighties we made a concordat of the different banks, and that association of the different issuing banks gave as many facilities as possible for the transfers. It was a kind of clearing house in Zurich. They did not want a central institution, so the banks pulled together and tried to arrange things. This was about 25 years ago that this was started.

This concordat was composed of issuing banks of Switzerland, and amounted to 50 per cent of the banking strength of Switzerland. It is not now in existence, but the cantonal banks have started a new association to defend their interests. Their bank notes will be slowly withdrawn, and they will not have the pull any more over

the public, but they have now a kind of defensive organization so as to discuss between themselves the steps they shall take to continue in business and how they will go on after all this has been settled.

We are making an active propaganda in Switzerland for the use of checks. We have started the postal savings bank and postal check transfer system. Individual debts are paid mostly in bank notes or coin, but they are trying now to avoid transfers of actual money and to get them to use checks for the payment of their debts.

Mr. Padgett: If a man goes to the bank and negotiates a loan, does he take the actual money away with him, or does he deposit it in the bank and withdraw it, or does he take it in notes?

Mr. Rueff: If he is a stranger and has not had a bank account, he will take bank notes and will pay these notes to the man to whom he is indebted.

Mr. Padgett: How about regular customers?

Mr. Rueff: The merchant will have an account and will ask for a transfer to another account. He will write out a check. He may use the postal transfer office for goods in a little town. They have not used checks much in Switzerland.

Mr. Padgett: Suppose a country merchant buys a bill of goods from a wholesale merchant, payment for which is due in 90 days, and at the end of 90 days he wants to remit to him, does he send him his check on some bank or does he get the money and send that by express, or how does he transfer it?

Mr. Rueff: I suppose he would buy a draft on a bank in that

place. They do not often send individual checks. We are trying to introduce that system.

Mr. Aldrich: Is there in existence in French or German any history of this agitation and the final results?

Mr. Rueff: Yes, books and articles.

Mr. Aldrich: In one book?

Mr. Rueff: We will inquire.

Mr. Overstreet. How long has the postal savings bank been in operation?

Mr. Rueff: Two years.

Mr. Overstreet: Is it popular?

Mr. Rueff: Very popular. We are the agents for them here.

Mr. Overstreet: How are the deposits invested?

Mr. Rueff: They invest them in Government and State securities, but we are not thoroughly familiar with that feature of it.

Mr.Overstreet: What interest is paid on deposits?

Mr. Rueff: I think 2 per cent.

Mr. Overstreet: Does the money go into the Federal Treasury?

Mr. Rueff: No, it is absolutely separate.

Mr. Overstreet: Does this central bank have any control or supervision of the Federal deposits?

Mr. Rueff: No, absolutely none.

Mr. Davison: Are there any savings banks in Switzerland?

Mr. Rueff: Yes, very many; cooperative banks, private savings banks, state savings banks, benevolent savings banks, which have no capital, and where the whole profits are distributed.

Mr. Davison: Do they pay a higher rate of interest than 2 per cent?

Mr. Rueff: Yes.

SOCIÉTÉ GÉNÉRALE.

Replies of Louis Dorizon, Directeur, to the Inquiries of The National Monetary Commission.

I.

The enclosed copy of our statutes furnishes all the desired information with regard to the date of foundation of the Société Générale, its regulations, its capital, the form and mode of transferring its shares. (Appendix No.1).

According to your request, we supplement this information with a table reproducing the average quotations of our shares from 1901 down to October, 1908, including the dividends paid during the same period. (Appendix No.2).

Every year at the end of March, the directors and the council of administration present to the general meeting of the stockholders a report containing the changes in the different operations of the Société and the profits for the preceding year. I enclose herewith the reports of our last two general meetings (Appendix No.3 and 3 bis). In the course of the year the law requires no further publicity; nevertheless, the Journal Officiel de la République Francaise publishes periodically the monetary balance sheet in the form which is enclosed as Appendix No.4. This publication, compulsory under the law of 1863, has been maintained, although it has been voluntary since the Societe Generale was, in 1878, transformed into a joint-stock company, according to the laws of July 24, 1867, and August 1, 1893.

II.

The method of administration, conditions of selecting, advancing, and remunerating officials are explained in Appendix No. 5.

III.

The various provident institutions for the employees and agents of the Société are explained in documents 6, 7, 8, and 9.

IV.

You selected one of our balance sheets, and have asked certain explanations about the items and their amounts. The first item of the assets, "Caisse et Banque," 85,600,000 francs includes the specie in the vaults and the credit balance of the Societe at the Bank of France. As regards the percentage between liquid assets and liabilities, it would not be indicated by the apparent proportion of the item "Caisse et Banque" and the amount of the deposits. The Caisse finds a powerful supplement to its immediate resources in the portfolio. The rediscount of paper at the Bank of France makes it possible to avoid the maintenance in our vaults of an excessive amount of cash. The portfolio holds always in reserve in the form of paper devices that can be immediately rediscounted, 75 to 80 millions of paper, taking account of the central office in Paris alone. On the other hand, the receipts effected during the morning on the days of important maturity, the 15th and the end of the month, balance the payments made during those days and compensate very appreciably for the withdrawals. The

exit of cash arising through discount operations is in principle only momentary. The consequent immobilization of funds can be easily reduced by residcounting. Long-time paper in this way, by means of rediscount, can be transferred into short-time paper.

The item "Coupons a encaisser," 17,400,000 francs, from the point of view of the treasury, is an important addition to the account "Caisse et Banque." The variety and elasticity of the assets reenforcing our treasury remove any importance from the rigorous maintenance of a fixed percentage in the amount of cash held. Aside from the security that it affords in case of a financial panic, resulting in a run of depositors, the system practiced in France by the Credit Societies permits the reduction to a minimum of the amount of unproductive capital immobilized in the vaults. The reemployment of capital for short-time may occur without the capital's ceasing to be a utilizable division of the item "Caisse et Banque."

V.

The portfolio 532,600,000 francs embraces commercial paper of which the maximum duration is 90 days. We make no difference from the point of view of our discount between note to order and a draft. In certain regions our agents offer to farmers and landed proprietors banking facilities under the form of agricultural warrants and accommodation paper. This paper runs three months and is discounted under two signatures at least, but it may be twice renewed. As you know, our

branches also discount warrants and advances upon merchandise.

You have asked the classification of our portfolio, and we indicate here how the balance of 532,600,000 is subdivided:

217,200,000	francs of paper on Paris.
270,100,000	francs of paper on Provinces.
44,000,000	francs of paper on foreign countries.
1,300,000	francs of paper on warrants.
532,600,000	

All of these items have appreciably increased since the date of the balance sheet which your inquiry reproduces (the end of 1906). This you will see by comparing the balance sheets enclosed for the end of August and the end of September, 1908. "Bankable" paper enters into the total in a proportion of about 70 per cent.

VI.

The item "Effets a l'encaissement," 52,900,000 francs, is recruited from the maturing remittances, the delay involved being 5 days for Paris, 10 days for the bankable country, and 15 days for elsewhere.

VII.

"Rentes & Actions, Bons & Obligations, Avances sur garanties, Participations Financieres." Article 2 of the statutes shows that the Société Générale is free to select the kind and amount of employment for its funds. In contrast with trust and savings institutions and insurance companies, it is under no obligation to invest in securities of a determined type any more than it is obliged to acquire real estate.

It is allowed to invest in "reports" (76,600,000 francs) and to obtain in this way an appreciable profit by the aid of loans for short time.

The "participations" are not limited to syndicate operations. The Société Générale can take an interest in industrial and commercial affairs. It is likewise our custom to introduce securities to the market by way of sales at our offices or at the Bourse.

"Avances sur Garanties." Our statutes do not define the kind of securities admissible as collateral for loans (172,530,000 francs). They state only that these loans must be contracted for 90 days and to the extent of four-fifths the value of the pledge. With the permission of the customers and with a profit from the reduction of charges, certain advances made upon bankable securities may stipulate permission for the Société to transfer this collateral to the Bank of France in support of operations made by the Société at that institution. This method of liquifying a certain class of securities is in practice little done. It constitutes an eventual resource of our treasury, and although the proceeding is perfectly regular, inasmuch as it is foreseen in precise terms in the loan contract, its employment occurs especially only in periods of exceptionally high money rates.

VIII.

"Real Estate" 25,900,000 francs. You do not ask us about this item of our balance sheet. We take the initiative in calling your attention to the progression since several years

in the amount of this item, resulting from a double procedure of the council of administration - 1. To instal our employees in better hygienic conditions, reserving for them ventilated and comfortable offices; 2. Offering to our customers conditions appropriate to the variety of our needs. These ideas have found notable application in the acquirement of a considerable group of buildings near the Opera. Important transformations have likewise been made in our branches in Paris and in the Provinces. It will also be noted that the expense involved in these improvements in our branches and agencies is borne by the account "General Expenses," and is not included in the item in the balance sheet of "Real Estate." This is explained by the circumstances that the offices of our agencies are almost always hired and not the property of the Societe.

IX.

"Comptes de Banque a l'Etranger et Comptes-Courants Divers," as the title indicates, includes not only the foreign balances; it groups together sundry current accounts of our offices in Paris and the country. You ask our motive for leaving to our credit with our correspondents such important sums. One must first of all take account of the fact that in these balances the foreign accounts do not amount to more than 30 millions to our debit, and to about 15 millions to our credit. This last sum itself is far from being altogether a demand account, and in constituted in part of bills not yet matured.

For the purpose of avoiding commissions and cost of exchange and other onerous losses, we do not discount at Paris foreign bills. We remit our bills upon distant countries for collection a sufficiently long time before their maturity. Our correspondents credit us with the same at the moment of maturity. The conditions of these accounts often contain the stipulation of interest of 1 per cent below the rate of the National Bank for the credit account and 1 per cent above that rate for the debit.

X.

"Les comptes de cheques," 339,728,000 francs. These receive in theory an interest of 1/2 per cent. A higher rate can be granted in consideration of withdrawal only upon notice of the duration of the deposit. As you can see, this item arises from sight deposits subject to withdrawal by check.

XI.

"Les depots a echeance fixe." These give rise to a note or certificate (bon) of which a specimen is enclosed (Appendix No.10). The remuneration and interest allowed at the present moment on these certificates is indicated in the enclosed circular (Appendix No.11). It varies according to the fluctuation in the rate of discount and the rate for advances by the Bank of France and according to the general condition of the money market.

XII.

"Effets a Payer," 136,946,000. Under this item are

grouped our acceptances. The commission charged for these operations is commonly 1/4 and 1/2 per cent - occasionally 1/8 per cent. These acceptances are granted in the majority of cases upon the importation from abroad of wool, cotton, leather, coffee, etc. The corresponding drafts are generally for 90 days; less frequently for 60 days.

XIII.

"Profits et Pertes" are presented in their totals, general expenses being deducted. From the totals for the branches have been deducted a sort of instalment corresponding to their proportion of the expenses entailed by direction and adminsitration.

XIV.

In reply to your question concerning the number of our branches in Paris and in the country, we enclose a list in the form of a poster (Appendix No.12). We add to it an advertisement (Appendix No.13) noting our principal operations and the charge for safety deposit boxes (Appendix No.14).

Our branches are very rarely created by the absorption of local banks. Much more often they are opened after an inquiry on the spot by the directors of neighboring branches and an examination of the opportunities which the locality offers for a bank.

XV.

You ask the amount and nature of the different taxes paid by our establishment, and we hand you herewith a study made on the occasion of the last Universal Exposition, entitled

"The Credit Societies and the Tax System," (Appendix No.15). This gives figures considerably less than the amount of the fiscal charges levied at present upon the Société. The amount of taxes levied has increased proportionately to the progress in our operations since 1900.

XVI.

We hand you also the rules and statutes of the Clearing House pf Paris, (Appendix No.16), as well as statistics on the amount per day of the operations of its 13 members (Appendix No.17). The clearing houses in France are far from reaching a development comparable to that of the clearing houses in England or the United States. It is not that the organization of our financial market in this country is defective, but the banks and the public have not yet accustomed themselves to making frequent use of it.

XVII.

You are without doubt in possession of the statutes and regulations of the Bank of France and know the services which it renders to the public, to the financial world, and to industry. We recall only the useful support which it brings to the credit societies from the rediscount of our portfolios. The Bank is at the same time the regulator of the discount market. The comditions inscribed in our documents are labelled T.B. or T.B.+ . Discounts and advances thus follow automatically the modifications of the rate of the Bank of France.

XVIII.

You ask us if we have undergone in France financial crises.

We recall the general crisis of 1882, that of 1895, bearing especially upon the gold mining and the socalled metal crisis of 1899. As for the monetary crises of 1907 and the first months of 1908, it was only the feeble repercussion of the situation in foreign markets. It is to be observed that the Bank of France in this last condition did not raise its rate of discount until after the National Banks of other countries, and in a much lower degree. Its coin resources permitted it to put at the disposal of the other countries a part of its own gold supply. Ordinary discounts were in no way affected. Restrictions were only ordered in regard to the apceptances at the Bank of paper created abroad or drawn upon foreign countries and domiciled in France for the sole purpose of discounting at a more advantageous rate.

[Jan. 1909.?]

Recommendation of Charles G. Dawes, Comptroller of the Currency, relative to "Limitation of Loans", contained in his Report to Congress for 1898.

One of the most important reforms needed in the present national banking law, is a proper provision limiting the amount which can be loaned to any one individual or corporation, in order to insure a general distribution of loans, and to preven an improper concentration of a bank's funds in the hands of a few borrowers. The provision of the present national banking law designed to carry into effect this important principal is as follows:

> Sec. 5200: The total liabilities to any association or any person, or of any company, corporation, or firm, for money borrowed, including in the liabilities of a company or firm the liabilities of the several members thereof, shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in. But the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, shall not be considered as money borrowed."

Almost as if in admission of the fact that this provision is unscientific, and ill adapted to carry into practical effect the great principal of protection to depositors and shareholders, subserved by generally distributed and safe loans, the present law provides no specific penalty against individuals which the Comptroller can apply for violations of this section in the making of excessive loans, where such violations do not affect the solvency of the bank, nor justify the appointment of a receiver.

A United States court, under the genral provisions of the

law providing for the forfeiture of the franchises of a bank for any violations of the banking act, might adjudicate the question of fact as to such violations, but could apply no other remedy than forfeiture of franchise.

Since the institution of the national banking system the violation of this provision has been common, and the Comptroller, though allowing no known violation to escape his written protest, finds great practical difficulty in his endeavorsto enforce this requirement.

On September 20, 1898, the date of the last call by the Comptroller for statements of condition of national banks, 1,124 banks, constituting nearly one-third of the entire number of banks in the system, reported loans in excess of the limit allowed by section 5200, Revised Statutes of the United States.

The principles underlying the present provision of the law, are as valuable to depositors and shareholder in their application to the banks of the large communities, as to the banks of the smaller communities; but the observance of this provision, while not interfering with the current requirements of either the banks or the public in smaller communities, proves an almost insurmountable obstruction to the business of our larger cities.

The present need is for an amendment to this provision, which, while compelling, under penalties, the safe and proper distribution of loans of larger banks, will enable them to loan more nearly the same per cent of their total assets which

the present provision allows to small banks. In this way the officers of larger banks can supply the proper needs of the larger communities without disregarding the law, and the Comptroller can hold them under penalty to strict observance of the amended law, which when disregarded would indicate improper distribution of loans, something which infractions of the present provisions in the case of many banks do not neces sarily indicate.

The greater ratio borne by banking resources to banking capital in the larger communities, as compared with the like ratio in smaller communities, is responsible for the defective and unequal working of the present provision.

The average ratio of resources to the average capital of the 47 national banks in the city of New York is as 18 is to 1; of the 17 national banks in Chicago as 10.2 is to 1; of the 6 national banks in St. Louis as 7.3 is to 1; of the 257 national banks in other reserve cities as 6.6 is to 1; while in 3,255 country banks the ratio is but as 4.7 is to 1.

The law limiting loans to 10 per cent of the capital, when applied to the 3,255 banks of the smaller communities of the country, as a whole would allow the loaning of 2.14 per cent of their total assets to one individual. As compared with this, the banks of the city of New York, on the average, could not loan over fifty-six one hundredths of 1 per cent of their total assets to one individual; the banks of Chicago not over ninety-eight one hundredths per cent of their total assets; the banks of St. Louis not over 1.4 per cent of theit total assets; the banks of other reserve cities not over 1.51

per cent of their total assets.

In other words, the proportion of their assets which the country banks of the United Statescan loan, in strict compliance with section 5200, to one individual, is sixty-three one hundredths of one per cent greater than in 257 reserve cities, seventy-four one hundredths of 1 per cent greater than in St. Louis, over twice as great as in Chicago, and nearly four times as great as in the city of New York.

This provision as it stands at present constitutes an incentive to the making of loans the larger in proportion to the total assets of banks in smaller communities, where, as a rule, large loans which are safe are the most difficult to secure; while in the larger business centers of the country, where commercial conditions create a certain demand both from banks and borrowers for large and safe loans, its effect is the reverse to such an extent as to be injurious.

A bank with smaller loans, is not necessarily a bank with the more distributed and safe loans. A bank with $100,000 capital and $100,000 deposits, the latter being loaned in the maximum amounts allowed by the present provision (to-wit to 10 individuals at $10,000 each) has not as well distributed loans as a bank of $1,000,000 capital and $5,000,000 deposits, the latter being loaned to 50 people, at the maximum of $100,000 each In the former case the loans are distributed among only 10 people and in the latter case among 50 people, and yet in each case there is strict compliance with the 10 per cent restriction.

One of the objects evidently designed to be subserved by the present provision of the law, was the protection of the

capital of a bank, as distinguished from other assets of the bank.

The framers of the section undoubtedly considered the capital of a bank as a greater safeguard for the depositors against loss, when not over one-tenth part of it was loaned to a single individual or corporation without security. They recognized the fact, however, that when outside security was had for loans, the capital did not need for its protection the 10 per cent restriction; and they provided accordingly for the exemption from the restriction of a certain class of secured loans as follows:

> "But the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same, shall not be considered as money borrowed."

In the modification of section 5200, which we will recommend, we invoke the same principal of outside security for the protection of the capital against loss upon loans exceeding the 10 per cent limit.

The size of a loan is of itself no indication either of its strength or weakness, If the size of a loan is not such as to be undue concentration of the assets of a banking institution in the hands of one individual or corporation, thus depriving its creditors and shareholders of the safety of the law of average, it is not wise, either upon economic grounds or upon grounds of public policy to forbid it by law.

If, however, the size of a loan is such as to cause such undue concentration, its prevention is justifiable on both

grounds.

Recognizing these truths, it is the easier to understand why in many instances a strict compliance with this provision of the law (section 5200, R.S.U.S.)is consistent with all the needs of the current business of a small community and a proper protection to both banks and the public, yet in some larger communities it seriously interfers with the business requirements of both banks and the public, and addsin no way to the safety of the depositor.

The limit of the amount of single loans to an arbitrary percentage of either the capital, or the sum of the capital and surplus of a bank, does not insure a greater or proper distribution of loans in all cases, Since, as stated before, the size of a loan is not, per se, related to its safety, the more important proportion to consider, when endeavoring to regulate the distribution of loans by law, is that of the amount of the loan to the total assets, rather than that of the loan to the amount of the capital.

Grounds of public policy suggest as advisable the largest liberty in loans, not inconsistent with the absolute safety of the depositor.

The habitual disregard of the present provision by the officers of so many banks, interfers with the proper supervision of the banks by the Comptroller, and tends to create indifference to the restrictions of the national banking laws

The failure of the present law to provide the power to apply a personal penalty for the making of excessive loans, sometimes embarrasses the Comptroller in endeavoring to check

tendencies toward recklessness in loaning, which point to the ultimate ruin of a banking institution.

As before stated the present provision, when properly altered, should allow the banks of larger communities to have more nearly the privilege of loaning a given percent of their total assets to one individual, which now belongs under a strict compliance with the present provision, to the banks of the smaller communities. From this privilege they are now debarred by law.

The desired results can be obtained, in our judgment, by adding, after the words in Section 5200, "shall at no time exceed one-tenth part of the amount of the capital stock of such association actually paid in" the following words:

"Provided, That the restriction of this section as to the amount of total liabilities to any association, of any person, or of any company, corporation, or firm for money borrowed, shall not apply where a loan in excess of one-tenth part of the capital stock shall be less than two per cent of the total assets of said bank at the time of making said loan. Such loan shall be at all times protected by collateral security equal to or greater in value than the excess in the amount of said loan over one-tenth of the capital stock."

A strict and personal penalty enforceable by the Comptroller, should then be provided for infractions of the amended section by the officers of banks, to enable the Comptroller to successfully enforce general and strict compliance with its terms.

The suggested amendment will make section 5200 just and equitable in its relations to all national banks, and to all communities of our country, large and small, which is it not at present.

Section 5200 thus amended will not interfere, as at present, with the right of the banks in the larger communities to meet the legitimate requirements of business in these commercial centers. It will enable the Comptroller, by its enforcement, to prevent an undue concentration of loans and conserve their general distribution .

Under the section thus amended the capital of a bank will be protected, inasmuch as no loan in excess of 10 per cent can then be made, except upon proper collateral security.

The penalty clause will enable the Comptroller not only to limit the size, but to enforce the securing of excessive loans.

The following table shows the inequality of the present law in its practical effects upon the banks of larger and smaller communities, so far as the possible distribution of loans is concerned:

	No. of Banks July 18, 1898.	Average Resources.	Average Capital.	Maximum Average loan 10 per cent of capital.	Ratio of average resources to average capital.	Average maximum loan to average resources now allowed by section 5200 U. S. R. S.
New York City	47	$18,598,379	$1,036,170.	$103,617.	18 to 1	.56 of 1%
Chicago	17	11,632,219	1,144,118	114,411	10.2 to 1	.98 of 1%
St. Louis	6	10,257,586	1,400,000	140,000	7.3 to 1	1.4 per cent
All central reserve cities	70	16,191,676	1,093,571	109,357	14.8 to 1	.68 of 1%
Other reserve cities	257	3,909,561	591,343	59,134	6.6 to 1	1.51 per cent
Country banks	3255	565,130	120,888	12,088	4.7 to 1	2.14 per cent
United States	3582	$ 1,110,462	$ 173,650	17,365	6.4 to 1	1.56 per cent

For the purpose of ascertaining the general result of the suggested amendment to section 5200 U.S.R.S. an examination has been made of the reports of condition of the national banks of date July 14, 1898, and examiner's reports for approximate dates nearest thereto. In the following table is set forth the number of banks in reserve cities named, total loans outstanding November 1, loans in excess of the legal limit, loans which would be excessive if allowed to the limit of 2 per cent of the total resources, and number of banks in which loans equaling 10 per cent of their capital would be greater than 2 per cent of total assets, the loaning power of which the proposed limit would not increase. The table also shows singular information relative to one hundred banks selected at random from various sections of the country

Cities	No. of Banks.	Total No. of loans outstanding Nov. 1, 1898.	No. of excessive loans under section 5200	No. of loans in excess of the proposed 2 per cent limit.	Number of banks in which loans equaling 10 per cent of their capital would be greater than 2 per cent of total assets, the loaning power of which the proposed limit would not increase.
New York	47	29,919	5o4	3o	2
Chicago	17	17,652	53	12	2
St. Louis.	6	7,791	24	1o	o
	7o	55,362	581	52	4
Boston	52	43,123	9	1	28
Albany	6	4,326	52	17	o
Brooklyn	5,	2,51o	32	4	o
Philadelphia	37	25,134	145	38	1
Pittsburg	3o	2o,57o	48	14	1o
Baltimore	22	15,533	35	11	16
Washington	11	9,471	21	5	4
Savannah	2	1,23o	2	o	2
New Orleans	7	4,6o5	52	2	2
Louisville	6	5,216	7	2	4
Houston	5	1,421	24	1	4
Cincinnati	13	14,542	14	5	o
Cleveland	13	1o,211	27	12	5
Detroit	6	5,6oo	1o	2	1
Milwaukee	5	6,353	6	1	1
DesMoines	4	2,969	2	o	1
St.Paul	5	2,788	4	2	3
Minneapolis	6	2,951	14	2	5
Kansas City	5	3,911	31	9	o
St.Joseph	2	1,447	21	4	o
Lincoln	3	1,19o	3	o	3
Omaha	8	4,288	8	1	4
San Francisco	4	2,13o	6	2	2
Total	257	191,519	573	135	96
Total all reserve cities	327	246,881	1154	187	1oo
Country	1oo	51,55o	25o	88	54
Total	427	298,431	1404	275	154

MISCELLANEOUS DIVISION.
Form 4051.—Ed. Sept. 5-07—1,500.

COPY, CERTIFICATE, CONSOLIDATED.

Certificate No. 1166

MISCELLANEOUS FISCAL OFFICERS.

L. O/R.

Treasury Department,

OFFICE OF THE

AUDITOR FOR THE STATE AND OTHER DEPARTMENTS.

Washington, February 4, *1909.*

I hereby certify, *That I have examined and settled the account of* R. B. Dixon, disbursing officer, Nat'l Monetary Commn *with the United States, from* July 1, *1908, to* Dec. 31, *1908, under his official bond dated* June 4, *1908, and find a balance due the United States of* one thousand six hundred fifty three *dollars and* eleven *cents, under the several appropriations and headings of account as stated above.*

Please cause to issue the transfer and counter warrants scheduled on the reverse hereof.

$ 1,653.11

L. R. Layton
Auditor.

By G. W. Esterly
Deputy Auditor.

To the SECRETARY OF THE TREASURY
(Division of Bookkeeping and Warrants).

To the Hon. N. W. Aldrich, Chairman.

The above is a true copy of the original.

Deputy Auditor.

No. ....

MISCELLANEOUS

FISCAL OFFICERS

COPY OF CERTIFICATE

OF

Auditor for the State and other Departments

ON THE ACCOUNT OF

....

Disbursing ....

....

....

....

....

From ...., *190*

To ...., *190*

Let warrants issue adjusting appropriations in the amounts following:

Title of Appropriation.	Charge by Transfer Warrant.	Credit by Counter Warrants.
	$	$
Total..............................		

CONGRESS CLUB

OF KINGS COUNTY, NEW YORK

MONETARY

No. 586 Bedford Avenue,
Brooklyn, New York City.

February 6th. 1909.

MEMORIAL AND PETITION

TO THE CONGRESS OF THE UNITED STATES

RELATIVE TO MONETARY LEGISLATION

* * * * *

Your Memorialist, "The Congress Club of Kings County", is a club incorporated by the State of New York for Social and Political purposes.

Its Membership consists of about one thousand male citizens of the United States, qualified to vote at its elections, including the Sheriff of Kings County, many Congressmen, State Senators, Assemblymen, Judges, Bankers, etc., etc.

The subject of this Memorial has been before the club in the form of addresses and debates for more than a year and, at a regular and duly advertised and largely attended Meeting held in the club rooms February 18th 1909, after a free discussion it was ordered, by a rising and unanimous vote, that the club should present the matter to Congress, praying for its favorable consideration.

Realizing that your Honorable Body is fully conversant with the history of financial legislation, we shall refer only to such acts as seem to lead up to the one prayed for by your Memorialist.

Section 8 of the Constitution of the United States declares that Congress shall have power "to borrow Money on the credit of the United States", "to coin money, regulate the value thereof", etc., etc.

The Act of Congress, April 2nd 1792, authorized the coinage of gold and silver, and fixed its value.

In an official circular from the Treasury Department, dated July 1st 1896, the Hon. J. G. Carlisle, Secretary, says (Page 9):

> "The first paper money ever issued by the United States Government, was authorized by the Acts of July 17th and August 5th 1861; the notes issued were called "demand notes" because they were payable on demand.....the demand notes were paid in gold when presented for redemption, and they were received for all public dues, and these two qualities prevented their depreciation."

By Act of March 17th 1862 these demand notes were made "legal tender" and remained at par with gold at times when all other forms of money suffered enormous depreciation, - the so-called greenbacks falling to forty-nine cents on the dollar. (See page 52)

The National bank notes authorized by Congress in the year 1863, though guaranteed by the Government, have been subject to like depreciation relative to gold, and Senator Aldrich, addressing the United States Senate, February 11th 1908, said of them:

> "The value of the National bank notes has always been fixed in the minds of the people by the <u>certainty</u> of <u>Government redemption</u>. No one ever stops to enquire whether a National bank is located in Maine or Texas, whether its capital is great or small, or whether its financial condition is such as to give credit to its notes."

Mr. Aldrich also said - "In the recent panic there was a general suspension of cash payments by National banks" and that

"The loss from injury to business amounted to thousands of millions of dollars."

The Constitution does not appear to give power to any private body to issue circulating money, and whenever such power has been delegated to banks, it has worked injury to the public.

In the year 1694 the British Government gave to the Bank of England, as part payment for a large war loan, authority to issue circulating money, and in 1863, under a like stress of dire necessity, the United States Congress delegated a similar power to the National banks.

The issue of circulating notes combined with the banking business proved to be a dangerous evil, even when conducted by such a venerable and highly respectable institution as the Bank of England, and Parliament, in the year 1844, "in an effort to make the notes of the Bank of England secure, enacted that the bank should be divided into two separate departments; that the issue of notes should be by a department entirely separate and independent from the one carrying on the business of discount and deposits, and in all dealings with each other, the two departments were made as independent as if they belonged to distinct corporations."

Referring to Senate Document No. 243 of the Sixtieth Congress, first session, we find that on January 1st 1908 the total stock of money in the United States

was	$3,349,223,380
divided as follows:	
Gold, Silver and U. S. Notes	$2,659,092,485
National Bank Notes	690,130,895

These figures show that eighty per cent of our money circulation is issued direct to the people by the Government without the intervention of any bank.

The National bank notes are issued by the Government <u>through</u> the banks, and though comprising only twenty per cent of our money supply, are frightfully expensive, costing the Government more than one hundred and fifty million dollars every year (Hon. Mr. Fowler, Chairman of House Committee on Banking and Currency).

The eighty per cent of our circulating money which is issued direct to the people costs nothing beyond its face value, except for printing and preparation, and goes on its daily rounds as quietly as day follows night, while the National bank issues - though but one-fifth of the total circulation - are yet sufficiently large to control and disturb the entire system; in fact, the position of National bank notes in our monetary system is analogous to that of a voracious Pike in a Trout pond, and all attempts to shield the trout from its assaults are time and money wasted - the only true remedy is to REMOVE THE PIKE, by all means eliminate any and all bank issues from our monetary system.

The stability of our currency is of such paramount importance that no experiments should be tried with it, and only such changes made as experience warrants; your Memorialist therefore proposes that the twenty per cent which now goes through the National banks at such unnecessary cost and dangerous disturbance be eliminated from our monetary system and added to the eighty per cent which is now issued by the Government direct, without cost and with such signal success.

The issue of gold certificates in exchange for that metal, has resulted in a steady and apparently unnoticed accumulation of gold, until the amount held in the United States is nearly two billion dollars.

At the Meeting of the club heretofore referred to, viz., February 18th 1909, the following was moved by Mr. Theodore Cocheu and seconded by Mr. Charles F. Franklin, and adopted by a unanimous vote.

RESOLVED

That the Congress of the United States be petitioned to enact a law directing the issue of new United States Notes, all to be "legal tender" in the amount of three and a half billion dollars.

Of this amount, place in the hands of the Comptroller of Currency, to be held as an emergency reserve, one billion dollars.

The balance, two and a half billion dollars, to be used to retire present issues, as follows:

1st.	All U. S. and National bank notes	$1,250,000,000
2nd.	All present gold certificates	1,250,000,000

The circulation will then be -

United States notes	$2,500,000,000
Gold Coin - About	300,000,000
SILVER ~~Gold~~ and Silver Certificates - About	700,000,000
Total - About	$3,500,000,000

There is nothing experimental about this proposition, or new, except that the gold now on storage with the Government and owned by everybody who happens to hold gold certificates, will then become the property of the

Government, and with other gold to the total amount of one and one quarter billion dollars, should be held as a reserve against the United States notes, being in the proportion of fifty per cent, which proportion cannot be equalled by any other nation in the world.

Continue the receipt of gold and silver on deposit as now, which will increase the volume of circulation about equal to its naturally increasing needs.

To provide elasticity in seasons of unusual demand, let it be enacted that

WHENEVER, in the judgment of the President and Secretary of the Treasury, an emergency exists which requires it -

1st. Any incorporated bank or trust company owning or controlling United States, or satisfactory State or City bonds, may deposit them in sums not less than ten thousand dollars with the Comptroller of Currency and receive therefor ninety per cent of their face value from the billion dollar reserve money.

2nd. The depositors of these bonds shall be entitled to their return on demand, upon payment of the amount received by them, plus a tax equal to six per cent; the principal to be returned to the reserve money and the tax put into a fund for the purpose of renewing old notes.

PROVIDED That bonds not redeemed within one year shall be sold and the proceeds returned to the reserve money.

Thus an ample emergency fund would be always available to savings banks and trust companies who are able to deposit acceptable bonds, and every dollar of such emergency money would be as secure as any other dollar.

Our monetary system will then be placed upon the solid foundation of the credit of the United States, secured by the possession of more lands, buildings, ships

and materials of all kinds, and the actual ownership of more gold and silver than any bank or combination of banks, corporation or combination of corporations, in the world, and will be SOUND, SIMPLE, ELASTIC and ECONOMICAL.

Witness the Seal of the Congress, Club and our Official Signatures this 26th day of February 1909.

Geo. E. Burr.

President.

Robert Curren

Secretary.

The Richmond Chamber of Commerce

Richmond, Va., June 17, 1908.

Dear Sir:—

I am directed to request your attention to the subjoined copy of a Resolution adopted by this Chamber and to earnestly solicit your valued influence in support of the suggestion contained in said Resolution.

I have the honor to be,

Very respectfully yours,

R. A. DUNLOP, Secretary.

Preamble and Resolutions, submitted by the Committee on Banks and Currency of The Richmond Chamber of Commerce and adopted by the Chamber June 11, 1908:

WHEREAS, The great shock to American industries by the currency panic of last fall caused leading banking and business interests throughout the country to investigate carefully the currency problem, and, subsequently, to condemn, almost unanimously, the bond secured provisions of the Aldrich currency bill, and to endorse the principles of true credit currency; and

WHEREAS, Despite the overwhelming protests of the business interests of the country, the Aldrich-Vreeland bill, which retained the bond secured provisions of the Aldrich bill, was passed by Congress; and

WHEREAS, The adjustment of our currency system upon a permanently safe basis which will be free from the domination of any favored interests; which will be absolutely fair to all interests and to all localities; which, in its normal operations, will automatically prevent the disasters and emergencies produced by our present defective system, and which will conserve the prosperity of the country at large, is one of the most vital issues in the coming presidential campaign because it directly affects the welfare of the largest number of people; and

WHEREAS, The business interests of the country do not want an emergency currency, but they do demand a currency system which will prevent emergencies;

RESOLVED, That the Chamber of Commerce of the City of Richmond, Virginia, respectfully urges upon the prospective presidential candidates, and also upon the committees on resolution of both national political conventions, the importance of adopting a financial plank which will definitely assure the large body of voters representing the general business interests of the country, that a true and sound system of credit currency will be promptly adopted after reasonable investigation and discussion; and we respectfully suggest the following as a basis for such a system:

A true currency system should, on the one hand, protect the national credit against the danger of assault and the peril of repudiation, by limiting the financial transactions of the Government to its constitutional functions, namely, the coining of money and regulating the value thereof, and to the collection and disbursement of the revenues; and, on the other hand, it should further provide a true credit currency, redeemable in gold, which would always respond and precisely adjust itself to the ever varying needs of trade, just as checks and drafts do. It should be based upon the logical principle that with adequate redemption facilities, there is no essential difference between a bank-book credit and a bank-note credit, since the first is a bank credit subject to check, and the second is also a bank credit which passes current until paid. Such currency should be secured by the general assets of the bank, based upon the same reserve of lawful money which is required against deposits, and should be made absolutely safe beyond all peradventure.

Such a credit currency would enable the farmer, the producer, the manufacturer and the merchant to convert, through the agency of the banks, their commodities into currency, redeemable by the banks in gold. It would tend to steady and avoid excessive rates throughout the United States. It would also avert the financial catastrophes due to the inelastic features of our present bond secured currency system, which system was devised for the primary purpose of creating a market for bonds, and which system expands and contracts the volume of currency, not in accordance with the normal demands of trade, but with the speculative price of bonds, thereby causing, at times a redundancy of currency when it is not needed by trade, and stimulating unhealthful speculation; and causing, at other times, a currency famine when the moving of crops and industrial needs require it, and thereby causing excessive interest rates and serious interruption to the business interests of the country at large.

RICHMOND CHAMBER OF COMMERCE
Corporate Seal.
Founded 1867

THE RICHMOND CHAMBER OF COMMERCE,

By F. D. WILLIAMS, *President*.

Attest:

R. A. DUNLOP, *Secretary*.

FINAL EDITIO

The Academy of Political Science in the City of New York

Founded 1880 Incorporated 1910

Program of Second National Conference on Currency Reform

October 14-15, 1913

General Topic:

The Reform of the American Banking System

EXECUTIVE AND PROGRAM COMMITTEE

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PROCEEDINGS

The addresses, papers and a summary of the discussion at the meeting will be published in a volume as part of the proceedings of the Academy and distributed *gratis* to all members.

Orders from non-members for this volume will be received and entered for delivery as soon as issued, if order is prepaid at the rate of $1.50 per copy in paper binding and $2.00 per copy in cloth binding.

FIRST SESSION

Tuesday, October 14, at Noon

THE FEDERAL RESERVE ACT

(New York Chamber of Commerce, 65 Liberty St.)

SECOND SESSION

Tuesday, October 14, 3 p. m.

THE CENTRALIZATION OF BANKING AND MOBILIZATION OF RESERVES

(New York Chamber of Commerce, 65 Liberty St.)

THIRD SESSION

Wednesday, October 15, 10:30 a. m.

THE ELASTICITY OF CREDIT

(Earl Hall, Columbia University)

FOURTH SESSION

Wednesday, October 15, 2:30 p. m.

FOREIGN AND DOMESTIC EXCHANGE FUNCTIONS OF THE REGIONAL BANKS

(Earl Hall, Columbia University)

FIFTH SESSION (BANQUET)

Wednesday, October 15, 7 p. m.

BANKING REFORM IN THE UNITED STATES

(Hotel Astor)

Earl Hall, Columbia University is near 116th St. Station, Broadway Subway.

FIRST SESSION

TUESDAY, OCTOBER 14, AT NOON
NEW YORK CHAMBER OF COMMERCE, 65 LIBERTY ST.

Subject: "The Federal Reserve Act"

Presiding Officer
SAMUEL McCUNE LINDSAY
President of Academy of Political Science

Address of Welcome

John Claflin, President of Chamber of Commerce

Speakers:

Hon. Robert L. Owen, Chairman of the U. S. Senate Committee on Banking and Currency

Hon. Carter Glass, Chairman of the House of Representatives Committee on Banking and Currency

Hon. Robert J. Bulkley, member of House of Representatives, Committee on Banking and Currency.

This meeting will be followed by an informal luncheon tendered by the Chamber of Commerce to those in attendance.

SECOND SESSION

TUESDAY, OCTOBER 14, 3 P. M.
NEW YORK CHAMBER OF COMMERCE, 65 LIBERTY ST.

Subject: "The Centralization of Banking and Mobilization of Reserves."

Presiding Officer
ALBERT SHAW
"Review of Reviews"

I. Addresses (limited to 20 minutes each):

1. *Scope and Organization of the Proposed Regional Banks*

   H. Parker Willis, The Journal of Commerce and Commercial Bulletin

   A. Barton Hepburn, Chase National Bank

   O. M. W. Sprague, Harvard University

2. *The Mobilization of Reserves.*
   Arthur Reynolds, Des Moines National Bank

II. Discussion (under ten-minute rule):

Alexander D. Noyes, New York Evening Post

THIRD SESSION

WEDNESDAY, OCTOBER 15, 10.30 A. M.
EARL HALL — COLUMBIA UNIVERSITY

Subject: "The Elasticity of Credit"

Presiding Officer
H. PARKER WILLIS
"Journal of Commerce and Commercial Bulletin"

I. Addresses

1. *The Rediscount Functions of the Proposed Regional Banks*

   Frank A. Vanderlip, National City Bank

2. *The Note Issue*

   Joseph French Johnson, New York University

   E. W. Kemmerer, Princeton University

II. Discussion

Edward L. Howe, Princeton, N. J.

Irving T. Bush, New York City

A. Piatt Andrew, Gloucester, Mass.

FOURTH SESSION

WEDNESDAY, OCTOBER 15, 2.30 P.M.

EARL HALL — COLUMBIA UNIVERSITY

Subject: "Foreign and Domestic Exchange Functions of the Regional Banks"

Presiding Officer
EDWIN R. A. SELIGMAN
Columbia University

A Symposium under the ten-minute rule

I. Domestic Exchange Problems:

W. M. Van Deusen, National Newark Banking Company

Fred. I. Kent, Bankers' Trust Co.

Joseph T. Talbert, National City Bank

II. Foreign Exchange Problems:

John E. Gardin, National City Bank

J. A. Neilson, Brown Brothers, New York

FIFTH SESSION

WEDNESDAY, OCTOBER 15, 7 P.M.

BANQUET — HOTEL ASTOR

Subject: "Banking Reform in the United States"

Presiding Officer
JOHN H. FINLEY
President of the College of the City of New York

Address by the HONORABLE NELSON W. ALDRICH

Guests of Honor:

The Chairmen and members of the United States Senate Committee on Banking and Currency and the House of Representatives Committee on Banking and Currency

GENERAL COMMITTEE

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H. Parker Willis, New York City

CHAPTER 119.

An Act relating to Bills of Exchange, Cheques and Promissory Notes.

SHORT TITLE.

1. This Act may be cited as the Bills of Exchange Act. Short title. 53 V., c. 33, s. 1.

INTERPRETATION

2. In this Act, unless the context otherwise requires,— Definitions.

(a) 'acceptance' means an acceptance completed by delivery or notification; 'Acceptance.'

(b) 'action' includes counter-claim and set off; 'Action.'

(c) 'bank' means an incorporated bank or savings bank carrying on business in Canada; 'Bank.'

(d) 'bearer' means the person in possession of a bill or note which is payable to bearer; 'Bearer.'

(e) 'bill' means bill of exchange, and 'note' means promissory note; 'Bill,' 'note.'

(f) 'delivery' means transfer of possession, actual or constructive, from one person to another; 'Delivery.'

(g) 'holder' means the payee or endorsee of a bill or note who is in possession of it, or the bearer thereof; 'Holder.'

(h) 'endorsement' means an endorsement completed by delivery; 'Endorsement.'

(i) 'issue' means the first delivery of a bill or note, complete in form, to a person who takes it as a holder; 'Issue.'

(j) 'value' means valuable consideration; 'Value.'

(k) 'defence' includes counter-claim; 'Defence.'

(l) 'non-business days' means days directed by this Act to be observed as legal holidays or non-juridical days. 'Non-business days.'

2. Any day other than as aforesaid is a business day. 53 V., c. 33, ss. 2 and 91. Business days.

PART I.

GENERAL.

3. 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. 53 V., c. 33, s. 89. Thing done in good faith.

demand or at a fixed or determinable future time, a sum certain in money to or to the order of a specified person, or to bearer.

Non-compliance with requisites.

2. An instrument which does not comply with the requisites aforesaid, or which orders any act to be done in addition to the payment of money, is not, except as hereinafter provided, a bill of exchange.

Unconditional order.

3. An order to pay out of a particular fund is not unconditional within the meaning of this section: Provided that an unqualified order to pay, coupled with,—

(a) an indication of a particular fund out of which the drawee is to reimburse himself, or a particular account to be debited with the amount; or,

(b) a statement of the transaction which gives rise to the bill;

is unconditional. 53 V., c. 33, s. 3.

Instrument payable on contingency.

18. An instrument expressed to be payable on a contingency is not a bill, and the happening of the event does not cure the defect.

Addressed to two or more drawees.

2. A bill may be addressed to two or more drawees, whether they are partners or not; but an order addressed to two drawees in the alternative, or to two or more drawees in succession, is not a bill of exchange. 53 V., c. 33, ss. 6 and 11.

Payee, drawer or drawee.

19. A bill may be drawn payable to, or to the order of, the drawer; or it may be drawn payable to, or to the order of, the drawee.

Two or more payees.

2. A bill may be made payable to two or more payees jointly, or it may be made payable in the alternative to one of two, or one or some of several payees.

Holder of office payee.

3. A bill may be made payable to the holder of an office for the time being. 53 V., c. 33, ss. 5 and 7.

Drawee to be named.

20. The drawee must be named or otherwise indicated in a bill with reasonable certainty. 53 V., c. 33, s. 6.

Transfer words.

21. When a bill contains words prohibiting transfer, or indicating an intention that it should not be transferable, it is valid as between the parties thereto, but it is not negotiable.

Negotiable bill.

2. A negotiable bill may be payable either to order or to bearer.

When payable to bearer.

3. A bill is payable to bearer which is expressed to be so payable, or on which the only or last endorsement is an endorsement in blank.

Certainty of payee.

4. Where a bill is not payable to bearer, the payee must be named or otherwise indicated therein with reasonable certainty.

Fictitious payee.

5. Where the payee is a fictitious or non-existing person, the bill may be treated as payable to bearer. 53 V., c. 33, ss. 7 and 8.

22. A bill is payable to order which is expressed to be so payable, or which is expressed to be payable to a particular person, and does not contain words prohibiting transfer or indicating an intention that it should not be transferable. Bill payable to order when.

2. Where a bill, either originally or by endorsement, is expressed to be payable to the order of a specified person, and not to him or his order, it is nevertheless payable to him or his order, at his option. 53 V., c. 33, s. 8. When payable to person or order.

23. A bill is payable on demand,— Payable on demand when.

(a) which is expressed to be payable on demand, or on presentation; or,

(b) in which no time for payment is expressed.

2. Where a bill is accepted or endorsed when it is overdue, it shall, as regards the acceptor who so accepts, or any endorser who so endorses it, be deemed a bill payable on demand. 53 V., c. 33, s. 10. Endorsed when overdue.

24. A bill is payable at a determinable future time, within the meaning of this Act, which is expressed to be payable,— Determinable future time.

(a) at sight or at a fixed period after date or sight; Sight.

(b) on or at a fixed period after the occurrence of a specified event which is certain to happen, though the time of happening is uncertain. 53 V., c. 33, s. 11; 54-55 V., c. 17, s. 1. Specified event.

25. An inland bill is a bill which is, or on the face of it purports to be,— Inland bill defined.

(a) both drawn and payable within Canada; or,

(b) drawn within Canada upon some person resident therein.

2. Any other bill is a foreign bill. Other bills.

3. Unless the contrary appears on the face of the bill, the holder may treat it as an inland bill. 53 V., c. 33, s. 4. Presumption.

26. Where in a bill drawer and drawee are the same person, or where the drawee is a fictitious person or a person not having capacity to contract, the holder may treat the instrument, at his option, either as a bill of exchange or as a promissory note. 53 V., c. 33, s. 5. Bill or note. Option.

27. A bill is not invalid by reason only,— Valid bill.

(a) that it is not dated; Not dated.

(b) that it does not specify the value given, or that any value has been given therefor; Statement of value.

(c) that it does not specify the place where it is drawn or the place where it is payable; Statement of place.

(d) that it is antedated or postdated, or that it bears date on a Sunday or other non-juridical day. 53 V., c. 33, ss. 3 and 13. Irregular date.

Sum certain.

28. The sum payable by a bill is a sum certain within the meaning of this Act, although it is required to be paid,—

Interest. *(a)* with interest;

Instalments. *(b)* by stated instalments;

Default. *(c)* by stated instalments, with a provision that upon default in payment of any instalment the whole shall become due;

Exchange. *(d)* according to an indicated rate of exchange or according to a rate of exchange to be ascertained as directed by the bill.

Figures and words. 2. Where the sum payable is expressed in words and also in figures, and there is a discrepancy between the two, the sum denoted by the words is the amount payable.

With interest. 3. Where a bill is expressed to be payable with interest, unless the instrument otherwise provides, interest runs from the date of the bill, and if the bill is undated, from the issue thereof. 53 V., c. 33, s. 9.

True date presumption.

29. Where a bill or an acceptance, or any endorsement on a bill, is dated, the date shall, unless the contrary is proved, be deemed to be the true date of the drawing, acceptance or endorsement, as the case may be. 53 V., c. 33, s. 13.

Undated bill payable after date.

30. Where a bill expressed to be payable at a fixed period after date is issued undated, or where the acceptance of a bill payable at sight or at a fixed period after sight is undated, any holder may insert therein the true date of issue or acceptance, and the bill shall be payable accordingly: Provided that,—

Inserting wrong date. *(a)* where the holder in good faith and by mistake inserts a wrong date; and,

Liability of holder. *(b)* in every other case where a wrong date is inserted;

if the bill subsequently comes into the hands of a holder in due course the bill shall not be voided thereby, but shall operate and be payable as if the date so inserted had been the true date. 53 V., c. 33, s. 12; 54-55 V., c. 17, s. 2.

Perfecting bill.

31. Where a simple signature on a blank paper is delivered by the signer in order that it may be converted into a bill, it operates as a *prima facie* authority to fill it up as a complete bill for any amount, using the signature for that of the drawer or acceptor, or an endorser; and, in like manner, when a bill is wanting in any material particular, the person in possession of it has a *prima facie* authority to fill up the omission in any way he thinks fit. 53 V., c. 33, s. 20.

Authority.

When to be complete.

32. In order that any such instrument when completed may be enforceable against any person who became a party thereto prior to its completion, it must be filled up within a reasonable time, and strictly in accordance with the authority given: Provided that if any such instrument, after completion, is negotiated to a holder in due course, it shall be valid and effec-

tual for all purposes in his hands, and he may enforce it as if it had been filled up within a reasonable time and strictly in accordance with the authority given.

2. Reasonable time within the meaning of this section is a question of fact. 53 V., c. 33, s. 20. Reasonable time.

33. The drawer of a bill and any endorser may insert therein the name of a person, who shall be called the referee in case of need, to whom the holder may resort in case of need, that is to say, in case the bill is dishonoured by non-acceptance or non-payment. Referee in case of need.

2. It is in the option of the holder to resort to the referee in case of need or not, as he thinks fit. 53 V., c. 33, s. 15. Option.

34. The drawer of a bill, and any endorser, may insert therein an express stipulation,— Stipulations.

(a) negativing or limiting his own liability to the holder; Limiting.

(b) waiving, as regards himself, some or all of the holder's duties. 53 V., c. 33, s. 16. Waiving rights.

Acceptance and Interpretation.

35. The acceptance of a bill is the signification by the drawee of his assent to the order of the drawer. Acceptance defined.

2. Where in a bill the drawee is wrongly designated or his name is misspelt, he may accept the bill as therein described, adding, if he thinks fit, his proper signature, or he may accept by his proper signature. 53 V., c. 33, s. 17. Drawee's name wrong

36. An acceptance is invalid unless it complies with the following conditions, namely:— Acceptance.

(a) It must be written on the bill and be signed by the drawee; On the bill.

(b) It must not express that the drawee will perform his promise by any other means than the payment of money. For money.

2. The mere signature of the drawee written on the bill without additional words is a sufficient acceptance. 53 V., c. 33, s. 17. Mere signature.

37. A bill may be accepted,— Acceptance.

(a) before it has been signed by the drawer, or while otherwise incomplete; Before completion.

(b) when it is overdue, or after it has been dishonoured by a previous refusal to accept, or by non-payment. Overdue.

2. When a bill payable at sight or after sight is dishonoured by non-acceptance, and the drawee subsequently accepts it, the holder, in the absence of any different agreement, is entitled to have the bill accepted as of the date of first presentment to the drawee for acceptance. 53 V., c. 33, s. 18; 54-55 V., c. 17, s. 3. Acceptance after dishonour.

Kinds.

38. An acceptance is either,—

(a) general; or,

(b) qualified.

General.

2. A general acceptance assents without qualification to the order of the drawer.

Qualified.

3. A qualified acceptance in express terms varies the effect of the bill as drawn and in particular, an acceptance is qualified which is,—

Conditional.

(a) conditional, that is to say, which makes payment by the acceptor dependent on the fulfilment of a condition therein stated;

Partial.

(b) partial, that is to say, an acceptance to pay part only of the amount for which the bill is drawn;

Time.

(c) qualified as to time;

Drawees.

(d) the acceptance of some one or more of the drawees, but not of all.

Specified place.

4. An acceptance to pay at a particular specified place is not on that account conditional or qualified. 53 V., c. 33, s. 19.

When acceptance complete.

39. Every contract on a bill, whether it is the drawer's, the acceptor's or an endorser's, is incomplete and revocable, until delivery of the instrument in order to give effect thereto: Provided, that where an acceptance is written on a bill, and the drawee gives notice to, or according to the directions of, the person entitled to the bill that he has accepted it, the acceptance then becomes complete and irrevocable. 53 V., c. 33, s. 21.

Proviso.

Delivery.

Requisites.

40. As between immediate parties, and as regards a remote party, other than a holder in due course, the delivery,—

Authority.

(a) in order to be effectual must be made either by or under the authority of the party drawing, accepting or endorsing, as the case may be;

Conditional.

(b) may be shown to have been conditional or for a special purpose only, and not for the purpose of transferring the property in the bill.

Presumption.

2. If the bill is in the hands of a holder in due course, a valid delivery of the bill by all parties prior to him, so as to make them liable to him, is conclusively presumed. 53 V., c. 33, s. 21.

Parting with possession.

41. Where a bill is no longer in the possession of a party who has signed it as drawer, acceptor or endorser, a valid and unconditional delivery by him is presumed until the contrary is proved. 53 V., c. 33, s. 21.

Computation of Time, non-juridical days and days of grace.

Computation of time.

42. Where a bill is not payable on demand, three days, called days of grace, are, in every case, where the bill itself does

does not otherwise provide, added to the time of payment as fixed by the bill, and the bill is due and payable on the last day of grace: Provided that whenever the last day of grace falls on a legal holiday or non-juridical day in the province where any such bill is payable, then the day next following, not being a legal holiday or non-juridical day in such province, shall be the last day of grace. 53 V., c. 33, s. 14. Last day of grace.

43. In all matters relating to bills of exchange, the following and no other days shall be observed as legal holidays or non-juridical days:— Non-juridical days.

(a) In all the provinces of Canada, General.
Sundays,
New Year's Day,
Good Friday,
Easter Monday,
Victoria Day,
Dominion Day,
Labour Day,
Christmas Day,
The birthday (or the day fixed by proclamation for the celebration of the birthday) of the reigning sovereign;
Any day appointed by proclamation for a public holiday, or for a general fast, or a general thanksgiving throughout Canada,
The day next following New Year's Day, Christmas Day, Victoria Day, Dominion Day, and the birthday of the reigning sovereign when such days respectively fall on Sunday;

(b) In the province of Quebec in addition to the said days, Quebec.
The Epiphany,
The Ascension,
All Saints' Day,
Conception Day;

(c) In any one of the provinces of Canada, any day appointed by proclamation of the Lieutenant Governor of such province for a public holiday, or for a fast or thanksgiving within the same, and any non-juridical day by virtue of a statute of such province. 53 V., c. 33, s. 14; 56 V., c. 30, s. 1; 57-58 V., c. 55, s. 2; 1 E. VII., c. 12, ss. 2 and 4. Provincial proclamation.

44. Where a bill is payable at sight, or at a fixed period after date, after sight, or after the happening of a specified event, the time of payment is determined by excluding the day from which the time is to begin to run and by including the day of payment. 53 V., c. 33, s. 14. Time of payment.

45. Where a bill is payable at sight or at a fixed period after sight, the time begins to run from the date of the acceptance if Sight bill.

the bill is accepted, and from the date of noting or protest if the bill is noted or protested for non-acceptance, or for non-delivery. 53 V., c. 33, s. 14.

Due date.

46. Every bill which is made payable at a month or months after date becomes due on the same numbered day of the month in which it is made payable as the day on which it is dated, unless there is no such day in the month in which it is made payable, in which case it becomes due on the last day of that month, with the addition, in all cases, of the days of grace.

'Month.'

2. The term 'month' in a bill means the calendar month. 53 V., c. 33, s. 14.

Capacity and Authority of Parties.

Capacity of parties.

47. 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 corporation 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. 53 V., c. 33, s. 22.

Corporations.

Effect of disability on holder.

48. 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 endorsement entitles the holder to receive payment of the bill, and to enforce it against any other party thereto. 53 V., c. 33, s. 22.

Forgery.

49. Subject to the provisions of this Act, where a signature on a bill is forged, or placed thereon without the authority of the person whose signature it purports to be, the forged or unauthorized signature is wholly inoperative, and no right to retain the bill or to give a discharge therefor or to enforce payment thereof against any party thereto can be acquired through or under that signature, unless the party against whom it is sought to retain or enforce payment of the bill is precluded from setting up the forgery or want of authority: Provided that,—

Estoppel.

Ratification.

(a) nothing in this section shall affect the ratification of an unauthorized signature not amounting to a forgery;

Recovery of amount paid on forged cheque.

(b) if a cheque payable to order is paid by the drawee upon a forged endorsement out of the funds of the drawer, or is so paid and charged to his account, the drawer shall have no right of action against the drawee for the recovery back of the amount so paid, nor any defence to any claim made by the drawee for the amount 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.

Default of notice.

2. In case of failure by the drawer to give such notice within the said period, such cheque shall be held to have been paid in due

due course as respects every other party thereto or named therein, who has not previously instituted proceedings for the protection of his rights. 53 V., c. 33, s. 24.

Recovery of amount paid on forged endorsement.

50. 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 if notice of the endorsement being a forged or unauthorized endorsement is given to each such subsequent endorser within the time and in the manner in this section mentioned.

Rights over.

2. 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.

Notice of forgery.

3. Such notice of the endorsement being a forged or unauthorized endorsement 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. 60-61 V., c. 10, s. 1.

Procuration signatures.

51. A signature by procuration operates as notice that the agent has but a 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. 53 V., c. 33, s. 25.

Signing in representative capacity.

52. Where a person signs a bill as drawer, endorser or acceptor, and adds words to his signature indicating that he signs for or on behalf of a principal, or in a representative character, he is not personally liable thereon ; but the mere addition to his signature of words describing him as an agent, or as filling a representative character, does not exempt him from personal liability.

Rule for determining capacity.

2. In determining whether a signature on a bill is that of the principal or that of the agent by whose hand it is written, the construction most favourable to the validity of the instrument shall be adopted. 53 V., c. 33, s. 26.

Consideration.

Valuable.

53. Valuable consideration for a bill may be constituted by,—

Sufficiency.

(a) any consideration sufficient to support a simple contract;

Antecedent debt.

(b) an antecedent debt or liability;

Form of bill.

2. Such a debt or liability is deemed valuable consideration, whether the bill is payable on demand or at a future time. 53 V., c. 33, s. 27.

Holder for value.

54. Where value has, at any time, been given for a bill, the holder is deemed to be a holder for value as regards the acceptor and all parties to the bill who became parties prior to such time.

In case of lien.

2. Where the holder of a bill has a lien on it, arising either from contract or by implication of law, he is deemed to be a holder for value to the extent of the sum for which he has a lien. 53 V., c. 33, s. 27.

Accommodation bill.

55. An accommodation party to a bill is a person who has signed a bill as drawer, acceptor or endorser, without receiving value therefor, and for the purpose of lending his name to some other person.

Liability of party.

2. An accommodation party is liable on the bill to a holder for value; and it is immaterial whether, when such holder took the bill, he knew such party to be an accommodation party or not. 53 V., c. 33, s. 28.

Holder in due course.

56. A holder in due course is a holder who has taken a bill, complete and regular on the face of it, under the following conditions, namely:—

Notice.

(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;

Good faith.

(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.

Title defective.

2. In particular the title of a person who negotiates a bill is defective within the meaning of this Act when he obtained the bill, or the acceptance thereof, by fraud, duress or force and fear, or other unlawful means, or for an illegal consideration, or when he negotiates it in breach of faith, or under such circumstances as amount to a fraud. 53 V., c. 33, s. 29.

Right of subsequent holder.

57. A holder, whether for value or not, who derives his title to a bill through a holder in due course, and who is not himself a party to any fraud or illegality affecting it, has all the rights of that holder in due course as regards the acceptor and all parties to the bill prior to that holder. 53 V., c. 33, s. 29.

Presumption of value.

58. Every party whose signature appears on a bill is *prima facie* deemed to have become a party thereto for value.

Due course.

2. Every holder of a bill is *prima facie* deemed to be a holder in due course; but if, in an action on a bill it is admitted or

proved that the acceptance, issue or subsequent negotiation of the bill is affected with fraud, duress or force and fear, or illegality, the burden of proof that he is such holder in due course shall be on him, unless and until he proves that, subsequent to the alleged fraud or illegality, value has in good faith been given for the bill by some other holder in due course. 53 V., c. 33, s. 30. Burden of proof.

59. No bill, although given for a usurious consideration or upon a usurious contract, is void in the hands of a holder, unless such holder had at the time of its transfer to him actual knowledge that it was originally given for a usurious consideration, or upon a usurious contract. 53 V., c. 33, s. 30. Usurious consideration.

Negotiation.

60. A bill is negotiated when it is transferred from one person to another in such a manner as to constitute the transferee the holder of the bill. By transfer.

2. A bill payable to bearer is negotiated by delivery. By delivery.

3. A bill payable to order is negotiated by the endorsement of the holder completed by delivery. 53 V., c. 33, s. 31. By endorsement.

61. Where the holder of a bill payable to his order transfers it for value without endorsing it, the transfer gives the transferee such title as the transferrer had in the bill, and the transferee in addition acquires the right to have the endorsement of the transferrer. Without endorsement.

2. Where any person is under obligation to endorse a bill in a representative capacity, he may endorse the bill in such terms as to negative personal liability. 53 V., c. 33, s. 31. Representative capacity.

62. An endorsement in order to operate as a negotiation,— Endorsing.

(a) must be written on the bill itself and be signed by the endorser; Writing.

(b) must be an endorsement of the entire bill. Entire bill.

2. An endorsement written on an allonge, or on a *copy* of a bill issued or negotiated in a country where *copies* are recognized, is deemed to be written on the bill itself. Allonge.

3. A partial endorsement, that is to say, an endorsement which purports to transfer to the endorsee a part only of the amount payable, or which purports to transfer the bill to two or more endorsees severally, does not operate as a negotiation of the bill. 53 V., c. 33, s. 32. Partial endorsement.

63. The simple signature of the endorser on the bill, without additional words, is a sufficient endorsement. Signature sufficient.

2. Where a bill is payable to the order of two or more payees or endorsees who are not partners, all must endorse, unless the one endorsing has authority to endorse for the others. 53 V., c. 33, s. 32. Two or more payees.

Misspelling payee's name.

64. 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. 53 V., c. 33, s. 32.

Presumption as to order of endorsement.

65. Where there are two or more endorsements on a bill, each endorsement is deemed to have been made in the order in which it appears on the bill, until the contrary is proved. 53 V., c. 33, s. 32.

Disregarding condition.

66. 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. 53 V., c. 33, s. 33.

Endorsement in blank.

67. An endorsement may be made in blank or special.

2. An endorsement in blank specifies no endorsee, and a bill so endorsed becomes payable to bearer.

Special endorsement.

3. A special endorsement specifies the person to whom, or to whose order, the bill is to be payable.

Application of Act to.

4. The provisions of this Act relating to a payee apply, with the necessary modifications, to an endorsee under a special endorsement.

Conversion of blank endorsement.

5. Where a bill has been endorsed in blank, any holder may convert the blank endorsement into a special endorsement by writing above the endorser's signature a direction to pay the bill to or to the order of himself or some other person. 53 V., c. 33, ss. 32 and 34.

Restrictive endorsement.

68. An endorsement may also contain terms making it restrictive.

What is.

2. 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.'

Rights of endorsee.

3. A restrictive endorsement gives the endorsee the right to receive payment of the bill and to sue any party thereto that his endorser could have sued, but gives him no power to transfer his rights as endorsee unless it expressly authorizes him to do so.

If further transfer is authorized.

4. Where a restrictive endorsement authorizes further transfer, all subsequent endorsees take the bill with the same rights and subject to the same liabilities as the first endorsee under the restrictive endorsement. 53 V., c. 33, ss. 32 and 35.

When negotiability ceases.

69. Where a bill is negotiable in its origin, it continues to be negotiable until it has been,—

(a) restrictively endorsed; or,
(b) discharged by payment or otherwise. 53 V., c. 33, s. 36.

Overdue bill.

70. Where an overdue bill is negotiated, it can be negotiated only subject to any defect of title affecting it at its maturity, and thenceforward no person who takes it can acquire or give a better title than that which had the person from whom he took it.

Equities.

Demand bill when.

2. A bill payable on demand is deemed to be overdue within the meaning and for the purposes of this section, when it appears on the face of it to have been in circulation for an unreasonable length of time.

Time.

3. What is an unreasonable length of time for such purpose is a question of fact. 53 V., c. 33, s. 36.

Presumption as to.

71. Except where an endorsement bears date after the maturity of the bill, every negotiation is *prima facie* deemed to have been effected before the bill was overdue. 53 V., c. 33, s. 36.

Taking bill with notice of dishonour.

72. Where a bill which is not overdue has been dishonoured, any person who takes it with notice of the dishonour takes it subject to any defect of title attaching thereto at the time of dishonour; but nothing in this section shall affect the rights of a holder in due course. 53 V., c. 33, s. 36.

Re-issue of bill.

73. Where a bill is negotiated back to the drawer, or to a prior endorser, or to the acceptor, such party may, subject to the provisions of this Act, re-issue and further negotiate the bill, but he is not entitled to enforce the payment of the bill against any intervening party to whom he was previously liable. 53 V., c. 33, s. 37.

Rights of holder.

74. The rights and powers of the holder of a bill are as follows:—

May sue.

(a) He may sue on the bill in his own name;

Prior defects.

(b) Where he is a holder in due course, he holds the bill free from any defect of title of prior parties, as well as from mere personal defences available to prior parties among themselves, and may enforce payment against all parties liable on the bill;

Title from him.

(c) Where his title is defective, if he negotiates the bill to a holder in due course, that holder obtains a good and complete title to the bill; and,

Discharge from him.

(d) Where his title is defective if he obtains payment of the bill the person who pays him in due course gets a valid discharge for the bill. 53 V., c. 33, s. 38.

Presentment for Acceptance.

When necessary.

75. Where a bill is payable at sight or after sight, presentment for acceptance is necessary in order to fix the maturity of the instrument.

Express stipulation.

2. Where a bill expressly stipulates that it shall be presented for acceptance, or where a bill is drawn payable elsewhere than at the residence or place of business of the drawee, it must be presented for acceptance before it can be presented for payment.

Other cases.

3. In no other case is presentment for acceptance necessary in order to render liable any party to the bill. 53 V., c. 33, s. 39.

Presentment excused.

76. Where the holder of a bill, drawn payable elsewhere than at the place of business or residence of the drawee, has not time, with the exercise of reasonable diligence, to present the bill for acceptance before presenting it for payment on the day that it falls due, the delay caused by presenting the bill for acceptance before presenting it for payment is excused, and does not discharge the drawer and endorsers. 53 V., c. 33, s. 39.

Sight bill.

77. Subject to the provisions of this Act, when a bill payable at sight or after sight is negotiated, the holder must either present it for acceptance or negotiate it within a reasonable time.

If not presented.

2. If he does not do so, the drawer and all endorsers prior to that holder are discharged.

Reasonable time.

3. In determining what is a reasonable time within the meaning of this section, regard shall be had to the nature of the bill, the usage of trade with respect to similar bills, and the facts of the particular case. 53 V., c. 33, s. 40; 54-55 V., c. 17, s. 5.

Rules.

78. A bill is duly presented for acceptance which is presented in accordance with the following rules, namely:—

By holder to drawee.

(a) The presentment must be made by or on behalf of the holder to the drawee or to some person authorized to accept or refuse acceptance on his behalf, at a reasonable hour on a business day and before the bill is overdue;

To all drawees.

(b) Where a bill is addressed to two or more drawees, who are not partners, presentment must be made to them all, unless one has authority to accept for all, when presentment may be made to him only;

To personal representative.

(c) Where the drawee is dead, presentment may be made to his personal representative;

Post office.

(d) Where authorized by agreement or usage, a presentment through the post office is sufficient. 53 V., c. 33, s. 41.

Excuses.

79. Presentment in accordance with the aforesaid rules is excused, and a bill may be treated as dishonoured by non-acceptance,—

Drawee dead.

(a) where the drawee is dead, or is a fictitious person or a person not having capacity to contract by bill;

Impracticability.

(b) where, after the exercise of reasonable diligence, such presentment cannot be effected;

(c) where although the presentment has been irregular, acceptance has been refused on some other ground. Waiver.

2. The fact that the holder has reason to believe that the bill, on presentment, will be dishonoured does not excuse presentment. 53 V., c. 33, s. 41; 54-55 V., c. 17, s. 6. Excuse.

80. The drawee may accept a bill on the day of its due presentment to him for acceptance, or at any time within two days thereafter. Time for acceptance.

2. When a bill is so duly presented for acceptance and is not accepted within the time aforesaid, the person presenting it must treat it as dishonoured by non-acceptance. Dishonour.

3. If he does not so treat the bill as dishonoured, the holder shall lose his right of recourse against the drawer and endorsers. Loss of rights.

4. In the case of a bill payable at sight or after sight, the acceptor may date his acceptance thereon as of any of the days aforesaid but not later than the day of his actual acceptance of the bill. Date of acceptance.

5. If the acceptance is not so dated, the holder may refuse to take the acceptance and may treat the bill as dishonoured by non-acceptance. 2 E. VII., c. 2, s. 1. Refusing acceptance.

81. A bill is dishonoured by non-acceptance,— Dishonour.

(a) when it is duly presented for acceptance, and such an acceptance as is prescribed by this Act is refused or cannot be obtained; or, Presentment.

(b) when presentment for acceptance is excused and the bill is not accepted. 53 V., c. 33, s. 43. Excuse.

82. Subject to the provisions of this Act, when a bill is dishonoured by non-acceptance an immediate right of recourse against the drawer and endorsers accrues to the holder, and no presentment for payment is necessary. 53 V., c. 33, s. 43. Recourse in such case.

83. The holder of a bill may refuse to take a qualified acceptance, and if he does not obtain an unqualified acceptance may treat the bill as dishonoured by non-acceptance. Qualified acceptance.

2. When the drawer or endorser of a bill receives notice of a qualified acceptance, and does not within a reasonable time express his dissent to the holder, he shall be deemed to have assented thereto. 53 V., c. 33, s. 44. Assent.

84. Where a qualified acceptance is taken, and the drawer or an endorser has not expressedly or impliedly authorized the holder to take a qualified acceptance, or does not subsequently assent thereto, such drawer or endorser is discharged from his liability on the bill: Provided that this section shall not apply to a partial acceptance, whereof due notice has been given. 53 V., c. 33, s. 44. Qualified acceptance without authority. Partial acceptance.

Presentment for Payment.

Necessity.

85. Subject to the provisions of this Act, a bill must be duly presented for payment.

Result of none.

2. If it is not so presented, the drawer and endorsers shall be discharged.

Manner of.

3. Where the holder of a bill presents it for payment, he shall exhibit the bill to the person from whom he demands payment. 53 V., c. 33, ss. 45 and 52.

Time for.

86. A bill is duly presented for payment which is presented,—

Due date.

(a) when the bill is not payable on demand, on the day it falls due;

Demand bill.

(b) when the bill is payable on demand, 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.

Reasonable time.

2. In determining what is a reasonable time within the meaning of this section 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. 53 V., c. 33, s. 45.

By and to whom.

87. Presentment must be made by the holder or by some person authorized to receive payment on his behalf, at the proper place as hereinafter defined, and either to the person designated by the bill as payer or to his representative or some person authorized to pay or to refuse payment on his behalf, if, with the exercise of reasonable diligence such person can there be found.

Two acceptors.

2. When a bill is drawn upon, or accepted by two or more persons who are not partners, and no place of payment is specified, presentment must be made to them all.

Personal representation.

3. When the drawee or acceptor of a bill is dead, and no place of payment is specified, presentment must be made to a personal representative if such there is, and with the exercise of reasonable diligence, he can be found. 53 V., c. 33, s. 45.

Place of.

88. A bill is presented at the proper place,—

When specified.

(a) where a place of payment is specified in the bill or acceptance, and the bill is there presented;

When not specified.

(b) where no place of payment is specified, but the address of the drawee or acceptor is given in the bill, and the bill is there presented;

When no address is given.

(c) where no place of payment is specified and no address given, and the bill is presented at the drawee's or acceptor's place of business, if known, and if not at his ordinary residence, if known;

Other cases.

(d) in any other case, if presented to the drawee or acceptor wherever he can be found, or if presented at his last known place of business or residence. 53 V., c. 33, s. 45.

89. Where a bill is presented at the proper place as aforesaid and after the exercise of reasonable diligence, no person authorized to pay or refuse payment can there be found no further presentment to the drawee or acceptor is required. 53 V., c. 33, s. 45. Sufficient presentment.

90. Where the place of payment specified in the bill or acceptance is any city, town or village, and no place therein is specified, and the bill is presented at the drawee's or acceptor's known place of business or known ordinary residence therein, and if there is no such place of business or residence, the bill is presented at the post office, or principal post office in such city, town or village, such presentment is sufficient. Presentment at post office.

2. Where authorized by agreement or usage, a presentment through the post office is sufficient. 53 V., c. 33, s. 45. Through post office.

91. Delay in making presentment for payment is excused when the delay is caused by circumstances beyond the control of the holder, and not imputable to his default, misconduct or negligence. Delay in presentment.

2. When the cause of delay ceases to operate, presentment must be made with reasonable diligence. 53 V., c. 33, s. 46. Diligence.

92. Presentment for payment is dispensed with,— Dispense with.

(a) where, after the exercise of reasonable diligence, presentment, as required by this Act, cannot be effected; Impracticable.

(b) where the drawee is a fictitious person; Fictitious drawee.

(c) as regards the drawer, where the drawee or acceptor is not bound, as between himself and the drawer, to accept or pay the bill, and the drawer has no reason to believe that the bill would be paid if presented; Useless.

(d) as regards an endorser, where the bill was accepted or made for the accommodation of that endorser, and he has no reason to expect that the bill would be paid if presented; Accommodation bill.

(e) by waiver of presentment, express or implied. Waiver.

2. The fact that the holder has reason to believe that the bill will, on presentment, be dishonoured, does not dispense with the necessity for presentment. 53 V., c. 33, s. 46. Not dispense with.

93. When no place of payment is specified in the bill or acceptance, presentment for payment is not necessary in order to render the acceptor liable. When no place specified.

2. When a place of payment is specified in the bill or acceptance, the acceptor, in the absence of an express stipulation to that effect, is not discharged by the omission to present the bill for payment on the day that it matures, but if any suit or action be instituted thereon before presentation the costs thereof shall be in the discretion of the court. If place specified Neglect.

3. When a bill is paid the holder shall forthwith deliver it up to the party paying it. 53 V., c. 33, s. 52. Delivery on payment.

Time for presentment.

94. Where the address of the acceptor for honour of a bill is in the same place where the bill is protested for non-payment, the bill must be presented to him not later than the day following its maturity.

Parties in different places.

2. Where the address of the acceptor for honour is in some place other than the place where it is protested for non-payment, the bill must be forwarded not later than the day following its maturity for presentment to him.

Excuses for delay.

3. Delay in presentment or non-presentment is excused by any circumstance which would in case of acceptance by a drawee excuse delay in presentment for payment or non-presentment for payment. 53 V., c. 33, s. 66.

Dishonour.

Non-payment on presentment.

95. A bill is dishonoured by non-payment,—

Excuse.

(a) when it is duly presented for payment and payment is refused or cannot be obtained; or,

(b) when presentment is excused and the bill is overdue and unpaid.

Recourse.

2. Subject to the provisions of this Act, when a bill is dishonoured by non-payment, an immediate right of recourse against the drawer, acceptor and endorsers accrues to the holder. 53 V., c. 33, s. 47.

Notice of dishonour.

96. Subject to the provisions of this Act, when a bill has been dishonoured by non-acceptance or by non-payment, notice of dishonour must be given to the drawer, and each endorser, and any drawer or endorser to whom such notice is not given is discharged: Provided that,—

Subsequent holder.

(a) where a bill is dishonoured by non-acceptance, and notice of dishonour is not given, the rights of a holder in due course subsequent to the omission shall not be prejudiced by the omission;

Notice of non-payment.

(b) where a bill is dishonoured by non-acceptance, and due notice of dishonour is given, it shall not be necessary to give notice of a subsequent dishonour by non-payment, unless the bill shall in the meantime have been accepted.

Notice to acceptor.

2. In order to render the acceptor of a bill liable it is not necessary that notice of dishonour should be given to him. 53 V., c. 33, ss. 48 and 52.

Notice.

97. Notice of dishonour in order to be valid and effectual must be given,—

Time for.

(a) not later than the juridical or business day next following the dishonour of the bill;

By holder or endorser.

(b) by or on behalf of the holder, or by or on behalf of an endorser, who at the time of giving it, is himself liable on the bill;

(c) in the case of the death, if known to the party giving notice, of the drawer or endorser, to a personal representative, if such there is and with the exercise of reasonable diligence he can be found; Personal representative.

(d) in case of two or more drawers or endorsers who are not partners, to each of them, unless one of them has authority to receive notice for the others. 53 V., c. 33, s. 49. Two drawees.

98. Notice of dishonour may be given,— Notice.

(a) as soon as the bill is dishonoured; Earliest time.

(b) to the party to whom the same is required to be given, or to his agent in that behalf; To whom.

(c) by an agent either in his own name or in the name of any party entitled to give notice whether that party is his principal or not; By agent.

(d) in writing or by personal communication and in any terms which identify the bill and intimate that the bill has been dishonoured by non-acceptance or non-payment. Manner.

2. A misdescription of the bill shall not vitiate the notice unless the party to whom the notice is given is in fact misled thereby. 53 V., c. 33, s. 49. Misdescription.

99. In point of form,— Form.

(a) the return of a dishonoured bill to the drawer or an endorser is a sufficient notice of dishonour; Return of bill.

(b) a written notice need not be signed. Signature.

2. An insufficient written notice may be supplemented and validated by verbal communication. 53 V., c. 33, s. 49. Verbal supplement.

100. Where a bill when dishonoured is in the hands of an agent he may himself give notice to the parties liable on the bill, or he may give notice to his principal, in which case the principal upon receipt of the notice shall have the same time for giving notice as if the agent had been an independent holder. Notice to agent. Effect on principal.

2. If the agent gives notice to his principal he must do so within the same time as if he were an independent holder. 53 V., c. 33, s. 49. Time for.

101. 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 a holder has after dishonour. 53 V., c. 33, s. 49. Notice to antecedent parties.

102. A notice of dishonour enures for the benefit,— Benefit enures.

(a) of all subsequent holders and of all prior endorsers who have a right of recourse against the party to whom it is given, where given on behalf of the holder;

Parties to whom.

(b) of the holder and of all endorsers subsequent to the party to whom notice is given, where given, by or on behalf of an endorser entitled under this Part to give notice. 53 V., c. 33, s 49.

Sufficiency of giving.

103. Notice of the dishonour of any bill payable in Canada shall, notwithstanding anything in this Act contained be sufficiently given if it is addressed in due time to any party to such bill entitled to such notice, at his customary address or place of residence or at the place at which such bill is dated, unless any such party has, under his signature, designated another place, in which case such notice shall be sufficiently given if addressed to him in due time at such other place.

Sufficiency of notice.

2. Such notice so addressed shall be sufficient, although the place of residence of such party is other than either of the places aforesaid, and shall be deemed to have been duly served and given for all purposes if it is deposited in any post office, with the postage paid thereon, at any time during the day on which presentment has been made, or on the next following juridical or business day.

Death of party.

3. Such notice shall not be invalid by reason only of the fact that the party to whom it is addressed is dead. 53 V., c. 33, s. 49.

Miscarriage in post service.

104. Where a notice of dishonour is duly addressed and posted, as provided in the last preceding section, the sender is deemed to have given due notice of dishonour, notwithstanding any miscarriage by the post office. 53 V., c. 33, s. 49.

Excuse for delay.

105. Delay in giving notice of dishonour is excused where the delay is caused bv circumstances beyond the control of the party giving notice, and not imputable to his default, misconduct or negligence.

Diligence.

2. When the cause of delay ceases to operate the notice must be given with reasonable diligence. 53 V., c. 33, s. 50.

Dispensed with.

106. Notice of dishonour is dispensed with,—

Reasonable diligence.

(a) when after the exercise of reasonable diligence, notice as required by this Act cannot be given to or does not reach the drawer or endorser sought to be charged;

Waiver.

(b) by waiver express or implied.

Time of.

2. Notice of dishonour may be waived before the time of giving notice has arrived, or after the omission to give due notice. 53 V., c. 33, s. 50.

Dispensed with.

107. Notice of dishonour is dispensed with as regards the drawer where,—

Same person.

(a) the drawer and drawee are the same person;

Fictitious person.

(b) the drawee is a fictitious person or a person not having capacity to contract;

(c) the drawer is the person to whom the bill is presented for payment; Presented to drawer.

(d) the drawee or acceptor is, as between himself and the drawer, under no obligation to accept or pay the bill; No obligation.

(e) the drawer has countermanded payment. 53 V., c. 33, s. 50. Countermand.

108. Notice of dishonour is dispensed with as regards the endorser where,— Dispensed with.

(a) the drawee is a fictitious person or a person not having capacity to contract, and the endorser was aware of the fact at the time he endorsed the bill; Fictitious person.

(b) the endorser is the person to whom the bill is presented for payment; Presented to endorser.

(c) the bill was accepted or made for his accommodation. 53 V., c. 33, s. 50. Accommodation.

Protest.

109. In order to render the acceptor of a bill liable it is not necessary to protest it. 53 V., c. 33, s. 52. Necessity of.

110. Protest is dispensed with by any circumstances which would dispense with notice of dishonour. 53 V., c. 33, s. 51. Dispensed with.

111. Delay in noting or protesting is excused by circumstances beyond the control of the holder, and not imputable to his default, misconduct or negligence. Delay excused.

2. When the cause of delay ceases to operate, the bill must be noted or protested with reasonable diligence. 53 V., c. 33, s. 51. Diligence.

112. Where a foreign bill appearing on the face of it to be such has been dishonoured by non-acceptance it must be duly protested for non-acceptance. Foreign bill, non-acceptance.

2. Where a foreign bill which has not been previously dishonoured by non-acceptance is dishonoured by non-payment, it must be duly protested for non-payment. Non-payment.

3. Where a foreign bill has been accepted only as to part it must be protested as to the balance. Balance.

4. If a foreign bill is not protested as by this section required the drawer and endorsers are discharged. 53 V., c. 33, ss. 44 and 51. Discharge.

113. Where an inland bill has been dishonoured, it may, if the holder thinks fit, be noted and protested for non-acceptance or non-payment as the case may be; but it shall not, except in the province of Quebec, be necessary to note or protest an inland bill in order to have recourse against the drawer or endorsers. 53 V., c. 33, s. 51. Protest of inland bill. Quebec.

Discharge in default of protest.

114. In the case of an inland bill drawn upon any person in the province of Quebec or payable or accepted at any place in the said province the parties liable on the said bill other than the acceptor are, in default of protest for non-acceptance or non-payment as the case may be, and of notice thereof, discharged, except in cases where the circumstances are such as would dispense with notice of dishonour.

Protest unnecessary.

2. Except as in this section provided, where a bill does not on the face of it appear to be a foreign bill, protest thereof in case of dishonour is unnecessary. 53 V., c. 33, s. 51.

Subsequent protest for non-payment.

115. A bill which has been protested for non-acceptance, or a bill of which protest for non-acceptance has been waived, may be subsequently protested for non-payment. 53 V., c. 33, s. 51.

Protest for better security.

116. Where the acceptor of a bill suspends payment before it matures, the holder may cause the bill to be protested for better security against the drawer and endorsers. 53 V., c. 33, s. 51; 54-55 V., c. 17, s. 7.

Acceptance for honour.

117. Where a dishonoured bill has been accepted for honour *supra* protest, or contains a reference in case of need, it must be protested for non-payment before it is presented for payment to the acceptor for honour, or referee in case of need.

Protest for non-payment.

2. When a bill of exchange is dishonoured by the acceptor for honour, it must be protested for non-payment by him. 53 V., c. 33, s. 66.

Noting equivalent to protest.

118. For the purposes of this Act, where a bill is required to be protested within a specified time or before some further proceeding is taken, it is sufficient that the bill has been noted for protest before the expiration of the specified time or the taking of the proceeding. 53 V., c. 33, s. 92.

Noting or protest.

119. Subject to the provisions of this Act, when a bill is protested the protest must be made or noted on the day of its dishonour.

Extending protest.

2. When a bill has been duly noted, the formal protest may be extended thereafter at any time as of the date of the noting. 53 V., c. 33, ss. 51 and 92.

Protest on copy or particulars.

120. Where a bill is lost or destroyed, or is wrongly or accidentally detained from the person entitled to hold it, or is accidentally retained in a place other than where payable, protest may be made on a copy or written particulars thereof. 53 V., c. 33, s. 51.

Place of protest.

121. A bill must be protested at the place where it is dishonoured, or at some other place in Canada situate within five

miles of the place of presentment and dishonour of such bill: Provided that,—

(a) when a bill is presented through the post office and returned by post dishonoured, it may be protested at the place to which it is returned, not later than on the day of its return or the next juridical day; Where bill returned.

(b) every protest for dishonour, either for non-acceptance or non-payment may be made on the day of such dishonour, and in case of non-acceptance at any time after non-acceptance, and in case of non-payment at any time after three o'clock in the afternoon. 53 V., c. 33, s. 51. Time when.

122. A protest must contain a copy of the bill, or the original bill may be annexed thereto, and the protest must be signed by the notary making it, and must specify,— Contents of protest.

(a) the person at whose request the bill is protested; Person.

(b) the place and date of protest; Place.

(c) the cause or reason for protesting the bill; Reason.

(d) the demand made and the answer given, if any; or, Proceeding.

(e) the fact that the drawee or acceptor could not be found. Excuse.

53 V., c. 33, s. 51.

123. Where a dishonoured bill is authorized or required to be protested, and the services of a notary cannot be obtained at the place where the bill is dishonoured, any justice of the peace resident in the place may present and protest such bill and give all necessary notices and shall have all the necessary powers of a notary in respect thereto. 53 V., c. 33, s. 93. Official when notary is not accessible.

124. The expense of noting and protesting any bill and the postages thereby incurred, shall be allowed and paid to the holder in addition to any interest thereon. Expenses.

2. Notaries may charge the fees in each province heretofore allowed them. 53 V., c. 33, s. 93. Fees.

125. The forms in the schedule to this Act may be used in noting or protesting any bill and in giving notice thereof. Forms.

2. A copy of the bill and endorsement may be included in the forms, or the original bill may be annexed and the necessary changes in that behalf made in the forms. 53 V., c. 33, s. 93. Contents.

126. Notice of the protest of any bill payable in Canada shall be sufficiently given and shall be sufficient and deemed to have been duly given and served, if given during the day on which protest has been made or on the next following juridical or business day, to the same parties and in the same manner and addressed in the same way as is provided by this Part for notice of dishonour. 53 V., c. 33, s. 49. When notice of protest shall be given.

Liabilities of Parties.

Equitable assignment.

127. A bill, of itself, does not operate as an assignment of funds in the hands of the drawee available for the payment thereof, and the drawee of a bill who does not accept as required by this Act is not liable on the instrument. 53 V., c. 33, s. 53.

Engagement by acceptance.

128. The acceptor of a bill, by accepting it, engages that he will pay it according to the tenor of his acceptance. 53 V., c. 33, s. 54.

Estoppel.

129. The acceptor of a bill by accepting it is precluded from denying to a holder in due course,—

Genuineness and authority.

(a) the existence of the drawer, the genuineness of his signature, and his capacity and authority to draw the bill;

Capacity of drawer.

(b) in the case of a bill payable to drawer's order, the then capacity of the drawer to endorse, but not the genuineness or validity of his endorsement;

Payee and capacity.

(c) in the case of a bill payable to the order of a third person, the existence of the payee and his then capacity to endorse, but not the genuineness or validity of his endorsement. 53 V., c. 33, s. 54

Drawer.

130. The drawer of a bill, by drawing it,—

Engages acceptance and compensation.

(a) engages that on due presentment it shall be accepted and paid according to its tenor, and that if it is dishonoured he will compensate the holder or any endorser who is compelled to pay it, if the requisite proceedings on dishonour are duly taken;

Estoppel or to payee.

(b) is precluded from denying to a holder in due course the existence of the payee and his then capacity to endorse. 53 V., c. 33, s. 55.

Liability by signature.

Irregular endorsement.

131. No person is liable as drawer, endorser or acceptor of a bill who has not signed it as such: Provided that when 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. 53 V., c. 33, ss. 23 and 56

Trade or assumed name.

132. Where a person signs a bill in a trade or assumed name he is liable thereon as if he had signed it in his own name.

Firm name.

2. The signature of the name of a firm is equivalent to the signature by the person so signing, of the names of all persons liable as partners in that firm. 53 V., c. 33, s. 23.

Endorser.

133. The endorser of a bill, by endorsing it, subject to the effect of any express stipulation hereinbefore authorized,—

Engages acceptance or compensation.

(a) engages that on due presentment it shall be accepted and paid according to its tenor, and that if it is dishonoured he will compensate the holder or a subsequent endorser who

who is compelled to pay it, if the requisite proceedings on dishonour are duly taken;

(b) is precluded from denying to a holder in due course the genuineness and regularity in all respects of the drawer's signature and all previous endorsements; Genuineness and regularity.

(c) is precluded from denying to his immediate or a subsequent endorser that the bill was, at the time of his endorsement, a valid and subsisting bill, and that he had then a good title thereto. 53 V., c. 33, s. 55. Validity.

134. Where a bill is dishonoured, the measure of damages which shall be deemed to be liquidated damages shall be,— Measure of damages.

(a) the amount of the bill; Amount of bill.

(b) interest thereon from the time of presentment for payment, if the bill is payable on demand, and from the maturity of the bill in any other case; Interest.

(c) the expenses of noting and protest. 53 V., c. 33, s. 57. Expense.

135. In case of the dishonour of a bill the holder may recover from any party liable on the bill, the drawer who has been compelled to pay the bill may recover from the acceptor, and an endorser who has been compelled to pay the bill may recover from the acceptor or from the drawer, or from a prior endorser, the damages aforesaid. 53 V., c. 33, s. 57. Recovery of same.

136. In the case of a bill which has been dishonoured abroad in addition to the damages aforesaid, the holder may recover from the drawer or any endorser, and the drawer or an endorser who has been compelled to pay the bill may recover from any party liable to him, the amount of the re-exchange with interest thereon until the time of payment. 53 V., c. 33, s. 57. Re-exchange and interest.

137. Where the holder of a bill payable to bearer negotiates it by delivery without endorsing it, he is called a 'transferrer by delivery.' Transferrer by delivery.

2. A transferrer by delivery is not liable on the instrument. 53 V., c. 33, s. 58. Liability of.

138. A transferrer by delivery who negotiates a bill thereby warrants to his immediate transferee, being a holder for value,— Warranty by.

(a) that the bill is what it purports to be; Genuineness.

(b) that he has a right to transfer it; and, Right to transfer.

(c) that at the time of transfer he is not aware of any fact which renders it valueless. 53 V., c. 33, s. 58. *Bona fides.*

Discharge of Bill.

139. A bill is discharged by payment in due course by or on behalf of the drawee or acceptor. Payment.

Payment in due course.

2. Payment in due course means payment made at or after the maturity of the bill to the holder thereof in good faith and without notice that his title to the bill is defective.

Accommodation bill.

3. Where an accommodation bill is paid in due course by the party accommodated, the bill is discharged. 53 V., c. 33, s. 59.

Payment by drawer or endorser.

140. Subject to the provisions aforesaid as to an accommodation bill, when a bill is paid by the drawer or an endorser, it is not discharged; but,—

Gives rights.

(a) where a bill payable to, or to the order of, a third party is paid by the drawer, the drawer may enforce payment thereof against the acceptor, but may not re-issue the bill;

Second negotiation.

(b) where a bill is paid by an endorser, or where a bill payable to drawer's order is paid by the drawer, the party paying it is remitted to his former rights as regards the acceptor or antecedent parties, and he may, if he thinks fit, strike out his own and subsequent endorsements, and again negotiate the bill. 53 V., c. 33, s. 59.

Acceptor holding at maturity.

141. When the acceptor of a bill is or becomes the holder of it, at or after its maturity, in his own right, the bill is discharged. 53 V., c. 33, s. 60.

Renouncing rights.

142. When the holder of a bill, at or after its maturity, absolutely and unconditionally renounces his rights against the acceptor, the bill is discharged.

Against one party.

2. The liabilities of any party to a bill may in like manner be renounced by the holder before, at, or after its maturity.

Writing.

3. A renunciation must be in writing, unless the bill is delivered up to the acceptor.

Holder in due course.

4. Nothing in this section shall affect the rights of a holder in due course without notice of renunciation. 53 V., c. 33, s. 61.

Cancellation of bill.

143. Where a bill is intentionally cancelled by the holder or his agent, and the cancellation is apparent thereon, the bill is discharged.

Of any signature.

2. In like manner, any party liable on a bill may be discharged by the intentional cancellation of his signature by the holder or his agent.

Discharge of endorser.

3. In such case, any endorser who would have had a right of recourse against the party whose signature is cancelled is also discharged. 53 V., c. 33, s. 62.

Unintentional cancellation.

144. A cancellation made unintentionally, or under a mistake, or without the authority of the holder, is inoperative: Provided that where a bill or any signature thereon appears to have been cancelled, the burden of proof lies on the party who alleges that the cancellation was made unintentionally, or under a mistake, or without authority. 53 V., c. 33, s. 62.

Burden of proof.

Alteration of bill.

145. Where a bill or acceptance is materially altered without the assent of all parties liable on the bill, the bill is voided, except as against a party who has himself made, authorized, or assented to the alteration and subsequent endorsers: Provided that where a bill has been materially altered, but the alteration is not apparent, and the bill is in the hands of a holder in due course, such holder may avail himself of the bill as if it had not been altered, and may enforce payment of it according to its original tenor. 53 V., c. 33, s. 63.

Holder in due course.

Material.

146. In particular any alteration,—

Date. *(a)* of the date;

Sum. *(b)* of the sum payable;

Time. *(c)* of the time of payment;

Place. *(d)* of the place of payment;

Adding places. *(e)* by the addition of a place of payment without the acceptor's assent where a bill has been accepted generally;

is a material alteration. 53 V., c. 33, s. 63.

Acceptance and Payment for Honour.

Acceptance for honour *supra* protest

147. Where a bill of exchange has been protested for dishonour by non-acceptance, or protested for better security, and is not overdue, any person, not being a party already liable thereon, may, with the consent of the holder, intervene and accept the bill *supra* protest, for the honour of any party liable thereon, or for the honour of the person for whose account the bill is drawn. 53 V., c. 33, s. 64.

In part.

148. A bill may be accepted for honour for part only of the sum for which it is drawn. 53 V., c. 33, s. 64.

Deemed to be for honour of drawer.

149. Where an acceptance for honour does not expressly state for whose honour it is made, it is deemed to be an acceptance for the honour of the drawer. 53 V., c. 33, s. 64.

Maturity of after sight bill.

150. Where a bill payable after sight is accepted for honour, its maturity is calculated from the date of protesting for non-acceptance, and not from the date of the acceptance for honour. 53 V., c. 33, s. 64.

Requirements.

151. An acceptance for honour *supra* protest, in order to be valid must,—

Writing. *(a)* be written on the bill, and indicate that it is an acceptance for honour; and,

Signature. *(b)* be signed by the acceptor for honour. 53 V., c. 33, s. 64.

Liability of acceptor for honour.

152. The acceptor for honour of a bill by accepting it engages that he will, on due presentment, pay the bill according to the tenor of his acceptance, if it is not paid by the drawee, provided

provided it has been duly presented for payment and protested for non-payment, and that he receives notice of these facts.

To holder as others.

2. The acceptor for honour is liable to the holder and to all parties to the bill subsequent to the party for whose honour he has accepted. 53 V., c. 33, s. 65.

Payment for honour *supra* protest.

153. Where a bill has been protested for non-payment, any person may intervene and pay it *supra* protest for the honour of any party liable thereon, or for the honour of the person for whose account the bill is drawn.

If more than one offer.

2. Where two or more persons offer to pay a bill for the honour of different parties, the person whose payment will discharge most parties to the bill shall have the preference.

Refusal to receive payment.

3. Where the holder of a bill refuses to receive payment *supra* protest, he shall lose his right of recourse against any party who would have been discharged by such payment.

Entitled to bill.

4. The payer for honour, on paying to the holder the amount of the bill and the notarial expenses incidental to its dishonour, is entitled to receive both the bill itself and the protest.

Liability for refusing.

5. If the holder does not on demand in such case deliver up the bill and protest, he shall be liable to the payer for honour in damages. 53 V., c. 33, s. 67.

Attestation of payment for honour.

154. Payment for honour *supra* protest, in order to operate as such and not as a mere voluntary payment, must be attested by a notarial act of honour, which may be appended to the protest or form an extension of it.

Declaration.

2. The notarial act of honour must be founded on a declaration made by the payer for honour, or his agent in that behalf, declaring his intention to pay the bill for honour, and for whose honour he pays. 53 V., c. 33, s. 67.

Discharge.

155. Where a bill has been paid for honour, all parties subsequent to the party for whose honour it is paid are discharged,

Subrogation.

but the payer for honour is subrogated for, and succeeds to both the rights and duties of the holder as regards the party for whose honour he pays, and all parties liable to that party. 53 V., c. 33, s. 67.

Lost Instruments.

Holder to have duplicate of lost bill.

156. Where a bill has been lost before it is overdue, the person who was the holder of it may apply to the drawer to give him another bill of the same tenor, giving security to the drawer, if required, to indemnify him against all persons whatever, in case the bill alleged to have been lost shall be found again.

Refusal. Compulsion.

2. If the drawer, on request as aforesaid, refuses to give such duplicate bill, he may be compelled to do so. 53 V., c. 33, s. 68.

157. In any action or proceeding upon a bill, the court or a judge may order that the loss of the instrument shall not be set up, provided an indemnity is given to the satisfaction of the court or judge against the claims of any other person upon the instrument in question. 53 V., c. 33, s. 69. Action on lost bill. Indemnity.

Bill in a Set.

158. Where a bill is drawn in a set, each part of the set being numbered, and containing a reference to the other parts, the whole of the parts constitute one bill. Bills in set.

2. The acceptance may be written on any part, and it must be written on one part only. 53 V., c. 33, s. 70. Acceptance.

159. Where the holder of a set endorses two or more parts to different persons, he is liable on every such part, and every endorser subsequent to him is liable on the part he has himself endorsed as if the said parts were separate bills. Endorsing more than one part.

2. Where two or more parts of a set are negotiated to different holders in due course, the holder whose title first accrues is, as between such holders, deemed the true owner of the bill : Provided that nothing in this subsection shall affect the rights of a person who in due course accepts or pays the part first presented to him. Negotiation to different holders. Acceptance in due course.

3. If the drawee accepts more than one part, and such accepted parts get into the hands of different holders in due course, he is liable on every such part as if it were a separate bill. More than one part accepted.

4. When the acceptor of a bill drawn in a set pays it without requiring the part bearing his acceptance to be delivered up to him, and that part at maturity is outstanding in the hands of a holder in due course, he is liable to the holder thereof. Part accepted. Payments without delivery.

5. Subject to the provisions of this section, where any one part of a bill drawn in a set is discharged by payment or otherwise, the whole bill is discharged. 53 V., c. 33, s. 70. Discharge.

Conflict of Laws.

160. Where a bill drawn in one country is negotiated, accepted or payable in another, the validity of the bill as regards requisites in form is determined by the law of the place of issue, and the validity as regards requisites in form of the supervening contracts, such as acceptance, or endorsement, or acceptance *supra* protest, is determined by the law of the place where the contract was made: Provided that,— Requisites of form.

(a) where a bill is issued out of Canada, it is not invalid by reason only that it is not stamped in accordance with the law of the place of issue; Unstamped bills.

(b) where a bill, issued out of Canada, conforms, as regards requisites in form, to the law of Canada, it may, for the purpose of enforcing payment thereof, be treated as valid as Conforming to the law of Canada.

as between all persons who negotiate, hold or become parties to it in Canada. 53 V., c. 33, s. 71.

Lex loci.

161. Subject to the provisions of this Act, the interpretation of the drawing, endorsement, acceptance or acceptance *supra* protest of a bill, drawn in one country and negotiated, accepted or payable in another, is determined by the law of the place where such contract is made: Provided that where an inland bill is endorsed in a foreign country, the endorsement shall, as regards the payer, be interpreted according to the law of Canada. 53 V., c. 33, s. 71.

Law of Canada

Law as to duties of holder.

162. The duties of the holder with respect to presentment for acceptance or payment and the necessity for or sufficiency of a protest or notice of dishonour, are determined by the law of the place where the act is done or the bill is dishonoured. 53 V., c. 33, s. 71.

Currency.

163. Where a bill is drawn out of but payable in Canada, and the sum payable is not expressed in the currency of Canada, the amount shall, in the absence of some express stipulation, be calculated according to the rate of exchange for sight drafts at the place of payment on the day the bill is payable. 53 V., c. 33, s. 71.

Due date.

164. Where a bill is drawn in one country and is payable in another, the due date thereof is determined according to the law of the place where it is payable. 53 V., c. 33, s. 71.

PART III.

CHEQUES ON A BANK.

Cheque defined.

165. A cheque is a bill of exchange drawn on a bank, payable on demand.

Provisions as to bills apply.

2. Except as otherwise provided in this Part, the provisions of this Act applicable to a bill of exchange payable on demand apply to a cheque. 53 V., c. 33, s. 72.

Presentment for payment.

166. Subject to the provisions of this Act,—

(a) where a cheque is not presented for payment within a reasonable time of its issue, and the drawer or the person on whose account it is drawn had the right at the time of such presentment, as between him and the bank, to have the cheque paid, and suffers actual damage through the delay, he is discharged to the extent of such damage, that is to say, to the extent to which such drawer or person is a creditor of such bank to a larger amount than he would have been had such cheque been paid;

Measure of damage.

(b) the holder of such cheque, as to which such drawer or person is discharged, shall be a creditor, in lieu of such drawer or person, of such bank to the extent of such discharge, and entitled to recover the amount from it. Holder becomes creditor.

2. In determining what is a reasonable time, within this section, regard shall be had to the nature of the instrument, the usage of trade and of banks, and the facts of the particular case. 53 V., c. 33, s. 73. Reasonable time.

167. The duty and authority of a bank to pay a cheque drawn on it by its customer, are determined by,— Authority to pay.

(a) countermand of payment; Countermand.

(b) notice of the customer's death. 53 V., s. 33, s. 74. Death.

Crossed Cheques.

168. Where a cheque bears across its face an addition of,— Definition.

(a) the word 'bank' between two parallel transverse lines, either with or without the words 'not negotiable'; or,

(b) two parallel transverse lines simply, either with or without the words 'not negotiable';

such addition constitutes a crossing, and the cheque is crossed generally. General.

2. Where a cheque bears across its face an addition of the name of a bank, either with or without the words 'not negotiable,' that addition constitutes a crossing, and the cheque is crossed specially and to that bank. 53 V., c. 33, s. 75. Special.

169. A cheque may be crossed generally or specially by the drawer. By drawer.

2. Where a cheque is uncrossed, the holder may cross it generally or specially. By holder.

3. Where a cheque is crossed generally, the holder may cross it specially. Varying.

4. Where a cheque is crossed generally or specially, the holder may add the words *Not negotiable.* Words may added.

5. Where a cheque is crossed specially the bank to which it is crossed may again cross it specially to another bank for collection. By bank for collection.

6. Where an uncrossed cheque, or a cheque crossed generally, is sent to a bank for collection, it may cross it specially to itself. Changing crossing. Uncrossing.

7. A crossed cheque may be re-opened or uncrossed by the drawer writing between the transverse lines, the words *Pay cash,* and initialling the same. 53 V., c. 33, s. 76.

170. A crossing authorized by this Act is a material part of the cheque. Materially.

2. It shall not be lawful for any person to obliterate or, except as authorized by this Act, to add to or alter the crossing. 53 V., c. 33, s. 78. Altering crossing.

Crossed to more than one bank.

171. Where a cheque is crossed specially to more than one bank, except when crossed to another bank as agent for collection, the bank on which it is drawn shall refuse payment thereof. 53 V., c. 33, s. 78.

Liability for improper payment.

172. Where the bank on which a cheque so crossed is drawn, nevertheless pays the same, or pays a cheque crossed generally otherwise than to a bank, or, if crossed specially, otherwise than to the bank to which it is crossed, or to the bank acting as its agent for collection, it is liable to the true owner of the cheque for any loss he sustains owing to the cheque having been so paid: Provided that where a cheque is presented for payment which does not at the time of presentment appear to be crossed, or to have had a crossing which has been obliterated, or to have been added to or altered otherwise than as authorized by this Act, the bank paying the cheque in good faith and without negligence shall not be responsible or incur any liability, nor shall the payment be questioned by reason of the cheque having been crossed, or of the crossing having been obliterated or having been added to or altered otherwise than as authorized by this Act, and of payment having been made otherwise than to a bank or to the bank to which the cheque is or was crossed, or to the bank acting as its agent for collection, as the case may be. 53 V., c. 33, s. 78.

Bona fides.

Protection in such case.

173. Where the bank, on which a crossed cheque is drawn, in good faith and without negligence pays it, if crossed generally to a bank, or, if crossed specially, to the bank to which it is crossed, or to a bank acting as its agent for collection, the bank paying the cheque, and if the cheque has come into the hands of the payee, the drawer, shall respectively be entitled to the same rights and be placed in the same position as if payment of the cheque had been made to the true owner thereof. 53 V., c. 33, s. 79.

'Not negotiable' cross.

174. Where a person takes a crossed cheque which bears on it the words 'not negotiable,' he shall not have and shall not be capable of giving a better title to the cheque than that which had the person from whom he took it. 53 V., c. 33, s. 80.

Customer without title.

Bank paying.

Bona fides.

175. Where a bank, in good faith and without negligence, receives for a customer payment of a cheque crossed generally or specially to itself, and the customer has no title, or a defective title thereto, the bank shall not incur any liability to the true owner of the cheque by reason only of having received such payment. 53 V., c. 33, s. 81.

PART IV.

PROMISSORY NOTES.

Definition.

176. A promissory note is an unconditional promise in writing made by one person to another, signed by the maker, engaging to pay, on demand or at a fixed or determinable future time, a sum certain in money, to, or to the order of, a specified person, or to bearer.

Endorsed by maker.

2. An instrument in the form of a note payable to the maker's order is not a note within the meaning of this section, unless it is endorsed by the maker.

Pledge. Invalidity.

3. A note is not invalid by reason only that it contains also a pledge of collateral security with authority to sell or dispose thereof. 53 V., c. 33, s. 82.

Inland note.

177. A note which is, or on the face of it purports to be, both made and payable within Canada, is an inland note.

Foreign note.

2. Any other note is a foreign note. 53 V., c. 33, s. 82.

Delivery.

178. A promissory note is inchoate and incomplete until delivery thereof to the payee or bearer. 53 V., c. 33, s. 83.

Joint and several note.

179. A promissory note may be made by two or more makers, and they may be liable thereon jointly, or jointly and severally, according to its tenor.

Individual promise.

2. Where a note runs 'I promise to pay,' and is signed by two or more persons, it is deemed to be their joint and several note. 53 V., c. 33, s. 84.

Demand note presentment.

180. Where a note payable on demand has been endorsed, it must be presented for payment within a reasonable time of the endorsement.

Reasonable time.

2. In determining what is a reasonable time, regard shall be had to the nature of the instrument, the usage of trade, and the facts of the particular case. 53 V., c. 33, s. 85.

Endorser discharged. Security.

181. If a promissory note payable on demand, which has been endorsed is not presented for payment within a reasonable time the endorser is discharged: Provided that if it has, with the assent of the endorser, been delivered as a collateral or continuing security it need not be presented for payment so long as it is held as such security. 53 V., c. 33, s. 85.

Not deemed overdue.

182. Where a note payable on demand is negotiated, it is not deemed to be overdue, for the purpose of affecting the holder with defects of title of which he had no notice, by reason that it appears that a reasonable time for presenting it for payment has elapsed since its issue. 53 V., c. 33, s. 85.

Presentment, where.

183. 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.

Liability of maker.

2. In such case 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.

Note payable generally.

3. If no place of payment is specified in the body of the note, presentment for payment is not necessary in order to render the maker liable. 53 V., c. 33, s. 86.

As to endorser.

184. Presentment for payment is necessary in order to render the endorser of a note liable.

Place where.

2. Where a note is in the body of it made payable at a particular place, presentment at that place is necessary in order to render an endorser liable.

What sufficient.

3. When a place of payment is indicated by way of memorandum only, presentment at that place is sufficient to render the endorser liable, but a presentment to the maker elsewhere, if sufficient in other respects, shall also suffice. 53 V., c. 33, s. 86.

Maker.

185. The maker of a promissory note, by making it,—

Engagement.

(a) engages that he will pay it according to its tenor;

Estoppel.

(b) is precluded from denying to a holder in due course the existence of the payee and his then capacity to endorse. 53 V., c. 33, s. 87.

Application of Act to notes.

186. Subject to the provisions of this Part, and except as by this section provided, the provisions of this Act relating to bills of exchange apply, with the necessary modifications, to promissory notes.

Terms corresponding.

2. In the application of such 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 drawer's order.

Provisions inapplicable.

3. The provisions of this Act as to bills relating to,—

(a) presentment for acceptance;

(b) acceptance;

(c) acceptance *supra* protest;

(d) bills in a set;

do not apply to notes. 53 V., c. 33, s. 88.

Protest of foreign notes.

187. Where a foreign note is dishonoured, protest thereof is unnecessary, except for the preservation of the liabilities of endorsers. 53 V., c. 33, s. 88.

SCHEDULE.

Form A.

NOTING FOR NON-ACCEPTANCE.

(Copy of Bill and Endorsements.)

On the 19 , the above bill was, by me, at the request of presented for acceptance to E. F., the drawee, personally (*or,* at his residence, office or usual place of business), in the city (town *or* village) of and I received for answer: ' ';
The said bill is therefore noted for non-acceptance.

A. B.,
Notary Public.

(Date and place.) 19 .

Due notice of the above was by me served upon {A. B.,} {C. D.,} the {drawer,} {endorser,} personally, on the day of (*or,* at his residence, office or usual place of business) in , on the day of (*or,* by depositing such notice, directed to him at in His Majesty's post office in the city, [town *or* village], on the day of , and prepaying the postage thereon).

A. B.,
Notary Public.

(Date and place.) 19 .

53 V., c. 33. sch., form A.

Form B.

PROTEST FOR NON-ACCEPTANCE OR FOR NON-PAYMENT OF A BILL PAYABLE GENERALLY.

(Copy of Bill and Endorsements.)

On this day of , in the year 19 , I, A. B., notary public for the province of , dwelling at , in the province of , at the request of , did exhibit the original bill of exchange, whereof a true copy is above written, unto E. F., the {drawee} {acceptor} thereof personally (*or,* at his residence, office *or* usual place of business)

ness) in , and, speaking to himself (*or* his wife, his clerk, *or* his servant, &c.,) did demand { acceptance / payment } thereof; unto which demand { he / she } answered: ' .'

Wherefore I, the said notary, at the request aforesaid, have protested, and by these presents do protest against the acceptor, drawer and endorsers (*or* drawer and endorsers) of the said bill, and other parties thereto or therein concerned, for all exchange, re-exchange, and all costs, damages and interest, present and to come, for want of { acceptance / payment } of the said bill.

All of which I attest by my signature.

(Protested in duplicate.)

A. B.,
Notary Public.

53 V., c. 33, sch., form B.

FORM C.

PROTEST FOR NON-ACCEPTANCE OR FOR NON-PAYMENT OF A BILL PAYABLE AT A STATED PLACE.

(Copy of Bill and Endorsements.)

On this day of in the year 19 , I, A. B., notary public for the province of , dwelling at , in the province of , at the request of , did exhibit the original bill of exchange whereof a true copy is above written, unto E. F., the { drawee / acceptor } thereof, at , being the stated place where the said bill is payable, and there speaking to did demand { acceptance / payment } of the said bill; unto which demand he answered: ' .'

Wherefore I, the said notary, at the request aforesaid, have protested, and by these presents do protest against the acceptor, drawer and endorsers (*or* drawer and endorsers) of the said bill and all other parties thereto or therein concerned, for all exchange, re-exchange, costs, damages and interest, present and to come for want of { acceptance / payment } of the said bill

All of which I attest by my signature.

(Protested in duplicate.)

A. B.,
Notary Public

53 V., c. 33, sch., form C.

Form D.

PROTEST FOR NON-PAYMENT OF A BILL NOTED, BUT NOT PROTESTED FOR NON-ACCEPTANCE.

If the protest is made by the same notary who noted the bill, it should immediately follow the act of noting and memorandum of service thereof, and begin with the words 'and afterwards on, etc.,' *continuing as in the last preceding form, but introducing between the words* 'did' *and* 'exhibit' *the word* 'again,' *and in a parenthesis, between the words* 'written' *and* 'unto,' *the words:* 'and which bill was by me duly noted for non-acceptance on the day of .'

But if the protest is not made by the same notary, then it should follow a copy of the original bill and endorsements and noting marked on the bill—and then in the protest introduce, in a parenthesis, between the words 'written' *and* 'unto,' *the words:* 'and which bill was on the day of , by , notary public for the province of noted for non-acceptance, as appears by his note thereof marked on the said bill.'

53 V., c. 33, sch., form D.

Form E.

PROTEST FOR NON-PAYMENT OF A NOTE PAYABLE GENERALLY.

(Copy of Note and Endorsements.)

On this day of , in the year 19 , I A. B., notary public for the province of , dwelling at , in the province of , at the request of , did exhibit the original promissory note, whereof a true copy is above written, unto the promisor, personally (*or,* at his residence, office *or* usual place of business,) in , and speaking to himself (*or* his wife, his clerk *or* his servant, etc.) did demand payment thereof; unto which demand { he / she } answered: ' .'

Wherefore I, the said notary, at the request aforesaid, have protested, and by these presents do protest against the promisor and endorsers of the said note, and all other parties thereto or therein concerned, for all costs, damages and interest, present and to come, for want of payment of the said note.

All of which I attest by my signature.

(Protested in duplicate.)

A. B.,
Notary Public.

53 V., c. 33, sch., form. E.

Form F.

PROTEST FOR NON-PAYMENT OF A NOTE PAYABLE AT A STATED PLACE.

(Copy of Note and Endorsements.)

On this day of , in the year 19 , I, A.B., notary public for the province of , dwelling at , in the province of , at the request of , did exhibit the original promissory note, whereof a true copy is above written, unto the promisor, at , being the stated place where the said note is payable, and there, speaking to did demand payment of the said note, unto which demand he answered: ' .'

Wherefore I, the said notary, at the request aforesaid, have protested, and by these presents do protest against the promisor and endorsers of the said note, and all other parties thereto or therein concerned, for all costs, damages and interest, present and to come, for want of payment of the said note.

All of which I attest by my signature.

(Protested in duplicate.)

A. B.,
Notary Public.

53 V., c. 33, sch., form F.

Form G.

NOTARIAL NOTICE OF A NOTING, OR OF A PROTEST FOR NON-ACCEPTANCE, OR OF A PROTEST FOR NON-PAYMENT OF A BILL.

(Place and Date of Noting or of Protest.)

1st.

To P. Q. *(the drawer)*

at

Sir,

Your bill of exchange for $, dated at the day of , upon E. F., in favour of C. D., payable days after { sight / date } was this day, at the request of duly { noted / protested } by me for { non-acceptance / non-payment }

A. B.,
Notary Public.

(Place and date of Noting or of Protest.)

2nd.

To C. D., *(endorser*
(*or* F. G.)

at

Sir,

Mr. P. Q.'s bill of exchange for $, dated at the day of , upon E. F., in your favour (or in favour of C. D.,) payable days after { sight, / date, } and by you endorsed, was this day at the request of duly { noted / protested } by me for { non-acceptance / non-payment }

A. B.,
Notary Public.

53 V., c. 33, sch., form G.

Form H.

NOTARIAL NOTICE OF PROTEST FOR NON-PAYMENT OF A NOTE.

(Place and Date of Protest.)

To ,

at

Sir,

Mr. P. Q.'s promissory note for $, dated at , the day of payable { days / months / on —— } after date to { you / E. F. } or order, and endorsed by you, was this day, at the request of , duly protested by me for non-payment.

A. B.,
Notary Public.

53 V., c. 33, sch., form H.

Form I.

NOTARIAL SERVICE OF NOTICE OF A PROTEST FOR NON-ACCEPTANCE OR NON-PAYMENT OF A BILL, OR NOTE.

(to be subjoined to the Protest.)

And afterwards, I, the aforesaid protesting notary public, did serve due notice, in the form prescribed by law, of the foregoing protest for { non-acceptance / non-payment } of the { bill / note } thereby protested

protested upon { P. Q., / C. D., } the { drawer / endorsers } personally, on the day of (*or,* at his residence, office *or* usual place of business) in , on the day of ; (*or,* by depositing such notice, directed to the said { P. Q., / C. D., } at , in His Majesty's post office in on the day of , and prepaying the postage thereon).

In testimony whereof, I have, on the last mentioned day and year, at aforesaid, signed these presents.

A. B.,
Notary Public.

53 V., c. 33, sch., form I.

Form J.

PROTEST BY A JUSTICE OF THE PEACE (WHERE THERE IS NO NOTARY) FOR NON-ACCEPTANCE OF A BILL, OR NON-PAYMENT OF A BILL OR NOTE.

(Copy of Bill or Note and Endorsements.)

On this day of , in the year 19 , I, N. O., one of His Majesty's justices of the peace for the district (*or* county, etc.), of , in the province of , dwelling at (*or* near) the village of , in the said district, there being no practising notary public at or near the said village (*or any other legal cause*), did, at the request of and in the presence of well known unto me, exhibit the original { bill / note } whereof a true copy is above written unto P.Q., the { drawer / acceptor / promisor } thereof, personally (*or* at his residence, office *or* usual place of business) in and speaking to himself (his wife, his clerk *or* his servant, etc.,) did demand { acceptance / payment } thereof, unto which demand { he / she } answered: ' .'

Wherefore I, the said justice of the peace, at the request aforesaid, have protested, and by these presents do protest against the { drawer and endorsers / promisor and endorsers / acceptor, drawer and endorsers } of the said { bill / note } and all other parties thereto and therein concerned, for all exchange, re-exchange, and all costs, damages and interest,

terest, present and to come, for want of { acceptance / payment } of the said { bill / note }.

All which is by these presents attested by the signature of the said (*the witness*) and by my hand and seal.

(Protested in duplicate)

(*Signature of the witness*)

(*Signature and seal of the J.P.*)

53 V., c. 33, sch., form J.

OTTAWA: Printed by SAMUEL EDWARD DAWSON, Law Printer to the King's most Excellent Majesty.

7-8 EDWARD VII.

CHAP. 8.

An Act to amend the Bills of Exchange Act.

[*Assented to 10th April, 1908.*]

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

1. Section 133 of *The Bills of Exchange Act* is amended by striking out the word "endorser" in the second line of paragraph *(c)* of the said section and substituting therefor the word "endorsee." R.S., c. 119, s. 133 amended

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Foreign Exchange. Attention is invited to the article on International Banking or Foreign Exchange, which is contributed to this number by Mr. William G. Bliss, and contains a discussion of some of the difficulties encountered by banks in this important branch of banking. Mr. Bliss is the author of the text book on Foreign Exchange issued by the International Correspondence Schools of Scranton that is now part of the complete course of study in Banking and Banking Law that will be taken up by members of the Correspondence Chapter of the American Institute of Banking. Mr. Bliss's work is most complete and practical and it seems a pity that its use is to be restricted to those who take that course or will buy the volumes of the Technical Library of the schools, but such is the case.

for money.

Paragraph XIII of the German law provides that the drawee who pays the amount of the cheque can require that the receipted cheque shall be handed to him. This provision as to receipt might be usefully incorporated in our law, for controversies not infrequently arise as to whether the bank which pays a check over the counter can require the payee to indorse as a means of identifying him as the receiver.

The time for presentment of cheques is definitely fixed by the German law at ten days upon cheques drawn in Germany and the Federal Council fixes the period within which cheques drawn abroad are payable in Germany. Checks drawn in the United States on Germany must be presented within two months.

The above are only some of the points in the German law in which

INTERNATIONAL BANKING, OR FOREIGN EXCHANGE AND INCORPORATED BANKS.

A Discussion of Some of the Difficulties Encountered by Banks in this Important Branch of Banking.

BY WILLIAM G. BLISS.

OWING to the increase of foreign trade and other financial interests, also to territorial expansion, the demand for foreign banking facilities in the last twenty-five years has become so general throughout the United States, that national and State banks have been compelled to provide the means to meet that demand. Some banks in the largest cities have done this by organizing what are commonly known as "Foreign Exchange Departments;" but the majority have wisely contented themselves with handling such foreign business as may come to them, through private banking houses and incorporated banks having such departments.

The recent panic demonstrated clearly and conclusively that incorporated banks of large resources, properly equipped for international banking, are in position to render invaluable services to the country in general, as well as to their own customers.

But there are certain difficulties that confront incorporated banks engaging in International Banking or Foreign Exchange, and that deserve special consideration with a view to their adjustment.

GENERAL LACK OF ACQUAINTANCE WITH THE SUBJECT.

As the first among these difficulties, attention is called to the lack of acquaintance with the most elementary principles of international banking. A little conversation with the average bank officer or director will bring out two facts: (1) that the term "Foreign Exchange" conveys to him a somewhat vague idea of banking altogether different from the ordinary domestic banking to which he has become accustomed by training and practice; and (2) that he believes he has not the time to make a careful study of the subject.

This vagueness of idea in regard to international banking or general lack of acquaintance with it is attributable in part to failure to study the different monetary and banking systems of the world, and in part to failure to appreciate the fact that, in principle, the transactions common to international banking are identical with those of domestic banking. The former are subjects deserving special study at this time and the press has devoted considerable space to a discussion of them; but it will undoubtedly help to remove any difficulty connected with the latter, to point out what, from an account-

ing standpoint, is involved in international banking, and what differentiates some international transactions from corresponding domestic transactions.

International banking involves: (1) The maintaining by banks in this country of accounts current with banks in foreign countries, and by banks in foreign countries of accounts current with banks in this country, known collectively in reports of condition as the "Due from banks" and "Due to banks"; (2) discounts and loans to customers and loans to foreign banks—bills receivable; (3) loans obtained from foreign banks, acceptances for the bank's account or for account of its customers—bills payable; (4) rediscounts; (5) deposits; (6) cash, consisting of foreign money, etc.; (7) collections; and, not infrequently, (8) securities of various descriptions.

The principal points of difference between international and domestic banking are seen in the following: (1) International banking usually involves two or more differing currencies, while domestic banking involves but one currency; (2) in international banking practically all paper (commercial and bankers) consists of bills of exchange, while in domestic banking it consists of promissory notes; (3) in international banking whenever two differing currencies are involved, the amount of discount is not an item of record, since the discount is applied to the rate of exchange at which one currency is converted into the other, *i. e.* at which bills of exchange are bought and sold (discounted); while in domestic banking the discount being applied to the face of the note or bill, its amount becomes an item of record; and (4) in international banking the commercial letter of credit as a basis of credit and exchange is a most important factor while it is comparatively unknown to domestic banking. There are other minor differences due to banking and commercial usages and laws abroad which it is unnecessary to describe here.

REDISCOUNTS AND THE REPORT OF CONDITION.

A further difficulty to which attention is called is the form and place in which the Comptroller of the Currency and the State Superintendent of Banks (New York)* require rediscounts to be reported. The importance of having this difficulty removed is apparent to every one who is acquainted with the subject and who wishes to comply with the requirements of the departments since in international banking a very large part of a bank's remittances abroad consist of time bills of exchange that have been bought or discounted. These bills are rediscounted abroad either immediately on their acceptance by the drawees, or when required by the state of the American bank's account, and if the apparent intention of the Departments with regard to rediscounts were regarded by the banks, they would report

* The writer has not examined the forms in use by the Banking Departments of other States, and therefore refers to that in use in the state of New York.

these time bills as rediscounts. But the requirement itself is wrong from an accounting standpoint, for it obliges a bank to report as an actual liability, its liability by endorsement, which is *a contingent liability.*† That the requirement is wrong is evidenced by the fact that when observed its effect on the report is to make it a false or incorrect report of condition, since it obliges a bank to report a fictitious asset as the contra to this contingent liability. That this is the case is clearly shown by the fact that the bank that rediscounts any of its bills receivable either receives the cash for them, or charges them to its account with the discounting bank, so that there is merely a change in the position and title of the asset from "Discounts" to either "Cash" or "Due from Banks." But in a financial statement or report, such as banks are required to make in which the resources should equal the liabilities, no liability can be shown without some asset as its contra. Therefore, in order to make the rediscounts appear as an actual liability in the statement of condition, it becomes necessary to create a fictitious asset, and banks that comply with the requirement usually do this by leaving the rediscounts in "Discounts." Obviously then, since no new asset has been created, but only a change in position has been made, and since the same asset cannot be produced to the Bank Examiner at the same time in two accounts, *i. e.* both in "Discounts" and in "Cash" or "Due from Banks," one of them must be fictitious. The difficulty in the case is apparently due to the wish to enforce the recording of the contingent liability involved, and overlooks the fact that contingent liabilities can only be carried in a memorandum account, apart from the Actual Resources and Liabilities.

Furthermore, when the volume of the foreign bills that pass through our banks is taken into consideration, it is clear that the publication as an actual liability of the contingent liability involved only creates an altogether incorrect impression as to the nature of that liability and at the same time necessitates the showing of a correspondingly large fictitious asset.

As far as the foreign exchange department is concerned, therefore, banks disregard the requirement. This is not to be construed as an indication that the banks question the right of the Federal and State Departments to require a report of this Contingent Liability, but rather that they wish to emphasize the undesirability and injustice of requiring its publication. In the official report to the department the item may very properly be called for in a foot note, but it should be omitted from the published report.

It may here be noted that the handling of the Foreign Commercial business of the country by incorporated banks would be greatly

† The liability of the endorser of a bill is contingent on the failure of the principal parties to the bill to fulfill the contract involved, a liability, that is most remote in every well conducted bank.

hampered if the same prejudice should prevail with regard to the rediscounting of foreign bills, as at present exists among bankers with regard to the rediscounting of domestic paper.

THE BEARING OF THE PRESENT LAW ON ACCEPTANCES OR LOANS.

Still another difficulty in international banking has been encountered by our banks, owing to the interpretation of the law whereby banks are not permitted to accept time bills of exchange drawn on them. It is particularly opportune to call attention to this difficulty, which is purely American, at this time when a congressional commission is considering what changes should be made in our currency and banking systems.

As already pointed out, the instrument of a loan in international banking is the bill of exchange while, in domestic banking it is the promissory note so that to give effect to a loan in international banking it is necessary for the drawee to place his acceptance on the bill of exchange, the instrument of that loan. But it has been held that a bank may not assume the liability involved in placing its acceptance on a bill that is payable at a fixed future date, although it may assume the liability involved in placing the loan to the credit of the borrower subject to withdrawal at any time. In other words, the law seems to discriminate against the instrument of the loan by permitting incorporated banks to make loans to any bank or institution against a promissory note but not against an acceptance or bill of exchange. It cannot be argued that the acceptance of a bill of exchange is not properly a loan but is an accommodation acceptance because in international banking there is a consideration—a commission charged by the acceptor to the drawer. Neither does it seem reasonable, particularly when collateral is deposited by the drawer as security for the payment of the loan to hold that a bank may not by its acceptance obligate itself to make the necessary payment to the holder at a known future date.

The question has, however, a broader application and should be considered in the light of its bearing on the usefulness of our banks to the commercial and financial interests of the country in respect to the acceptance of drafts drawn under commercial letters of credit, and in respect to the usage in those foreign countries in which bankers and merchants make their remittances by means of bankers time bills of exchange instead of checks.

In the former, obviously the effect is to limit our banks to the issue of sight commercial credits, whether payable in this country or abroad, since a time credit authorizes the drawing of time bills of exchange on the issuing bank or on some other bank or banker whose acceptance and payment of the bills the issuer guarantees. Nevertheless it is the common and approved practice of both national and state banks to issue time credits payable abroad but not in this country.

But this is clearly an evasion of the law as interpreted, unless it is permissible for an incorporated bank to guarantee and protect another bank in that bank's acceptance of the bills which it is prohibited from accepting itself. One of the worst features of this evasion is that the acceptance under a commercial credit, which is an actual liability, is only carried by the American bank in a memorandum account and therefore does not appear where it properly belongs in the report of condition.

In the latter, the inability of banks to accept bills of exchange not only causes annoyance to foreign banks, bankers, and merchants accustomed to the use of time bills of exchange for their remittances to all other countries, but it has a tendency to divert from our banks a considerable amount of business that is legitimate, safe and profitable. The law is frequently evaded in this case, by noting the date, either of acceptance or maturity, on the face of the bill without signature. The bills are then either carried in a memorandum account, or credited to a draft account and charged to the issuing bank. If carried in a memorandum account, what is understood by the holder and the drawee to be an actual liability does not appear in the report of condition as such.

Any one understanding the importance of having our banks properly equipped for international banking cannot fail to see the mischief and injustice of the present situation, for until the present rulings are modified or revised or new laws or amendments to the present law are passed, the banks will be unnecessarily restricted and required to turn down good business, or they must evade the laws with the tacit approval of the Federal and State Banking Departments.

BANKS IN CHILE.

In the Republic of Chile on December 31, 1907, there were in operation 24 banks wiih paid-up capital of 124,040,525.63 pesos (a peso equals 36½ cents), and aggregate resources of 811,363,263.17, as shown by the balance sheet of the banks published in the February 22d edition of La Revista Comercial of Valparaiso, Chile. The most important of the banks is the Bank of Chile, the subscribed capital of which is 30,000,000 pesos.

BANKS IN MEXICO.

CHARTERS are granted in Mexico for the establishment of three kinds of banks, viz., banks of issue, mortgage banks, and loan banks. Banks of the class first mentioned are those which are permitted to issue notes of the various denominations, which are redeemable at par on demand. Circulation is limited to three times the paid-up capital stock and the banks are required to have cash on hand to the extent of at least one-half of the amount of their circulation, plus sight deposits and deposits at three day's sight. The minimum capital is $500,000, at least 50 per cent of which must be held in cash before begining business. Banks of issue are prohibited from discounting paper of any running nature, negotiating paper running over six months, or accepting notes or other documents for discount which do not bear two responsible signatures or are not guaranteed by mortgage security. They can not secure loans or contract any compromise on notes of their own circulation, and are forbidden to mortgage their properties or surrender their discounts for collateral security to any third party. They can not accept mortgages, except under special circumstances, and with the approval of the department of finance. A mortgage in favor of a bank of issue that does not exceed one-fourth of the paid-up capital, and taken to protect a credit, which will mature within two years from date of the transaction, may be accepted, within the approval of the department of finance.

Mortgage banks are those which make loans on real and urban properties and issue bonds which accrue interest and are amortizable through special conditions and at specified dates, being protected by mortgages. The minimum capital must be $50,000 and 50 per cent of the total subscribed paid in cash.

The third class of banks, banks of loan, are institutions which are authorized or expressly organized for the purpose of facilitating mining, agriculture, and industrial enterprises by means of privileged loans without mortgage security. These banks issue short time credit bonds, which accrue interest and are payable at specified times or dates. The minimum capital is $200,000.

All banks in the Republic are subject to governmental control and required to publish monthly statements in a form specified.

APPENDIX A.

NUMBER AND CAPITAL OF STATE BANKS AND TRUST COMPANIES CLASSIFIED ACCORDING TO POPULATION OF LOCALITIES.

[Compiled from reports made to the Comptroller of the Currency in June, 1911, and from Bankers' Directories.]

	New England States.		Eastern States.		Southern States.		Middle Western States.		Western States.		Pacific States.		Island possessions.		Total United States.	
	Number of banks.	Amount of capital.	Number of banks.	Amount of capital.	Number of banks.	Amount of capital.	Number of banks.	Amount of capital.	Number of banks.	Amount of capital.	Number of banks.	Amount of capital.	Number of banks.	Amount of capital.	Number of banks.	Amount of capital.
STATE BANKS.																
(Including stock savings banks.)																
POPULATION 3,000 AND LESS.																
1. Banks of and above $25,000 capital	5	$229,500	106	$4,052,000	1,259	$45,050,867	1,727	$56,089,968	589	$18,620,150	412	$16,640,581	.....	.....	4,106	$140,683,066
2. Less than $25,000	.....	.....	2	38,425	1,999	26,437,450	2,199	29,450,517	2,625	29,509,165	252	3,180,365	.....	.....	7,077	88,615,922
POPULATION OVER 3,000 TO 6,000.																
1. Banks of and above $50,000 capital	5	280,000	29	2,278,500	212	13,305,800	190	11,197,900	43	2,677,000	79	9,424,700	.....	.....	558	39,163,900
2. Less than $50,000	1	25,000	9	245,000	210	5,474,962	129	3,686,950	88	2,049,800	68	1,763,800	.....	.....	505	13,245,512
POPULATION OVER 6,000 TO 50,000.																
1. Banks of and above $100,000 capital	4	650,000	42	5,363,100	165	23,209,470	188	26,805,800	28	3,125,000	76	14,243,710	4	$1,321,857	507	74,718,937
2. Less than $100,000	4	229,700	41	2,155,250	302	12,780,456	321	13,642,275	147	5,356,000	79	3,517,145	4	115,130	898	37,795,956
POPULATION OVER 50,000.																
1. Banks of and above $200,000 capital	5	1,840,000	64	30,911,300	49	18,818,593	79	28,641,675	4	1,000,000	62	29,800,244	5	4,000,000	268	115,011,812
2. Less than $200,000	4	450,000	63	5,400,306	155	10,294,417	129	8,235,530	36	1,637,500	60	3,714,961	4	377,500	451	30,110,214
1. Total State banks conforming to national bank standards as regards capital	19	2,999,500	241	42,604,900	1,685	100,384,730	2,184	122,735,343	664	25,422,150	629	70,109,235	9	5,321,857	5,439	369,577,715
2. Total State banks not so conforming	9	704,700	115	7,838,981	2,666	54,987,285	2,778	55,015,272	2,896	38,552,465	459	12,176,271	8	492,630	8,931	169,767,604
TRUST COMPANIES.																
POPULATION 3,000 AND LESS.																
1. Banks of and above $25,000 capital	34	1,635,000	36	3,477,900	28	1,516,450	21	983,500	13	375,400	10	1,104,060	.....	.....	142	9,092,310
2. Less than $25,000	.....	.....	3	55,600	5	58,500	.....	.....	2	30,000	.....	.....	.....	.....	10	144,100
POPULATION OVER 3,000 TO 6,000.																
1. Banks of and above $50,000	13	750,000	45	6,123,150	26	2,266,450	22	1,400,000	5	400,000	3	430,000	.....	.....	114	11,369,600
2. Less than $50,000	2	50,000	1	25,000	8	190,000	9	255,000	2	55,000	1	25,000	.....	.....	23	600,000
POPULATION OVER 6,000 TO 50,000.																
1. Banks of and above $100,000 capital	27	3,817,509	152	28,315,120	51	10,376,100	62	8,900,000	14	1,952,986	3	800,000	.....	.....	309	54,161,715
2. Less than $100,000	25	1,245,000	4	88,311	25	1,336,000	65	3,180,550	16	769,500	7	325,000	.....	.....	142	6,944,361
POPULATION OVER 50,000.																
1. Banks of and above $200,000	48	28,666,100	170	148,976,240	41	32,621,800	90	79,076,000	8	1,900,000	15	9,650,000	.....	.....	372	300,890,140
2. Less than $200,000	16	1,563,057	61	7,599,367	18	1,550,000	39	3,494,000	5	525,000	4	450,000	.....	.....	143	15,181,824
1. Total trust companies conforming to national bank standards as regards capital	122	34,868,609	403	186,892,410	146	46,780,800	195	90,359,500	40	4,628,386	31	11,984,060	.....	.....	937	375,513,765
2. Total trust companies not so conforming	43	2,858,057	69	7,768,278	56	3,134,500	113	6,929,550	25	1,379,500	12	800,000	.....	.....	318	22,870,285

APPENDIX B.

NUMBER AND CAPITAL OF BANKS AND TRUST COMPANIES, BY STATES.

[Compiled from reports made to the Comptroller of the Currency in June, 1911, and from Bankers' Directories.]

	States, etc.	Population.	National banks.		State banks.[a]		Trust companies.[b]		Total.	
			Number of banks (June 7, 1911).	Capital.	Number of banks.	Capital.	Number of companies.	Capital.	Number.	Capital.
1	Maine	742,371	70	$7,850,000	.....	.....	42	$3,425,000	112	$11,275,000
2	New Hampshire	430,572	56	5,235,000	17	$1,039,200	.....	.....	73	6,274,200
3	Vermont	355,956	51	5,210,000	.....	.....	29	1,450,000	80	6,660,000
4	Massachusetts	3,366,416	188	53,617,500	.....	.....	53	20,783,609	241	74,401,109
5	Rhode Island	542,610	22	6,700,250	[c] 4	475,000	11	7,943,057	37	15,118,307
6	Connecticut	1,114,756	79	19,914,200	[c] 7	2,190,000	30	4,125,000	116	26,229,200
	Total New England States	6,552,681	466	98,526,950	28	3,704,200	165	37,726,666	659	139,957,816
7	New York	9,113,614	458	171,367,370	[c] 198	32,728,000	[c] 85	71,731,000	741	275,826,370
8	New Jersey	2,537,167	196	21,987,000	23	2,298,500	83	16,565,000	302	40,850,500
9	Pennsylvania	7,665,111	830	118,288,270	[d] 139	14,897,381	[d] 289	104,629,658	1,258	237,815,309
10	Delaware	202,322	28	2,373,985	[c] 4	520,000	15	1,735,030	47	4,629,015
	Total Eastern States	19,518,214	1,512	314,016,625	364	50,443,881	472	194,660,688	2,348	559,121,194
11	Maryland	1,295,346	107	17,582,410	[c] 86	3,596,488	[c] 17	8,563,000	210	29,741,898
12	District of Columbia	331,069	11	6,102,000	[c] 15	1,613,890	[c] 5	8,000,000	31	15,715,890
13	Virginia	2,061,612	128	16,618,500	[c] 240	8,775,470	3	1,202,000	371	26,595,970
14	West Virginia	1,221,119	106	9,187,000	181	10,572,673	[c] 5	959,000	292	20,718,673
15	North Carolina	2,206,287	74	8,385,000	322	7,048,867	[c] 14	2,252,800	410	17,686,667
16	South Carolina	1,515,400	43	5,410,000	308	12,078,282	8	360,000	359	17,848,282
17	Georgia	2,609,121	114	13,841,000	[c] 564	22,532,350	6	2,450,000	684	38,823,350
18	Florida	752,619	45	5,893,590	117	4,138,900	2	500,000	164	10,532,490
19	Alabama	2,138,093	81	9,379,670	210	11,029,930	4	367,000	295	20,776,600
20	Mississippi	1,797,114	31	3,335,000	342	13,469,770	.....	.....	373	16,804,770
21	Louisiana	1,656,388	31	8,120,000	189	8,069,600	20	6,375,000	240	22,564,600
22	Texas	3,896,542	511	44,904,000	[c] 595	13,813,500	[c] 52	7,554,250	1,158	66,271,750
23	Arkansas	1,574,449	46	4,435,000	381	11,061,912	13	2,100,000	440	17,596,912
24	Kentucky	2,289,905	144	17,405,900	[c] 430	12,633,783	[c] 43	8,302,250	617	38,341,933
25	Tennessee	2,184,789	100	12,435,000	371	14,936,600	10	930,000	481	28,301,600
	Total Southern States	27,529,853	1,572	183,034,070	4,351	155,372,015	202	49,915,300	6,125	388,321,385
26	Ohio	4,767,121	380	62,347,257	[c] 422	17,295,438	[c] 68	23,573,800	870	103,216,495
27	Indiana	2,700,876	261	27,453,000	312	11,571,302	110	10,816,600	683	49,840,902
28	Illinois	5,638,591	438	73,220,000	[c] 500	32,071,300	[c] 44	32,000,000	982	137,291,300
29	Michigan	2,810,173	100	14,710,000	[c] 405	22,949,775	5	2,400,000	510	40,059,775
30	Wisconsin	2,333,860	128	17,080,000	532	15,910,150	11	2,360,000	671	35,350,150
31	Minnesota	2,075,708	272	22,671,000	721	14,334,000	[c] 4	2,650,000	997	39,655,000
32	Iowa	2,224,771	327	21,380,000	977	32,485,700	[c] 14	1,900,000	1,318	55,765,700
33	Missouri	3,293,335	129	35,655,000	1,093	31,132,950	[c] 52	21,589,050	1,274	88,377,000
	Total Middle Western States	25,844,435	2,035	274,516,257	4,962	177,750,615	308	97,289,450	7,305	549,556,322
34	North Dakota	577,056	148	5,285,000	[c] 555	7,411,000	[c] 4	350,000	707	13,046,000
35	South Dakota	583,888	102	4,205,000	[c] 516	6,978,275	11	575,000	629	11,758,275
36	Nebraska	1,192,214	245	16,062,500	678	14,053,540	.....	.....	923	30,116,040
37	Kansas	1,690,949	208	11,817,500	[c] 866	16,626,300	[c] 4	525,000	1,078	28,968,800
38	Montana	376,053	58	4,875,000	90	4,060,000	[c] 7	1,150,000	155	10,085,000
39	Wyoming	145,965	29	1,685,000	[c] 51	1,267,000	[c] 4	100,000	84	3,052,000
40	Colorado	799,024	126	10,515,000	[c] 138	3,005,750	[c] 21	2,635,400	285	16,156,150
41	New Mexico	327,301	42	2,095,000	[c] 33	871,000	[c] 11	462,486	86	3,428,486
42	Oklahoma	1,657,155	276	12,622,500	[c] 633	9,701,750	[c] 3	210,000	912	22,534,250
	Total Western States	7,349,605	1,234	69,162,500	3,560	63,974,615	65	6,007,886	4,859	139,145,001
43	Washington	1,141,990	80	12,200,000	[c] 215	8,319,000	[c] 17	3,250,000	312	23,769,000
44	Oregon	672,765	77	7,371,000	151	7,968,100	3	500,000	231	15,839,100
45	California	2,377,549	203	51,803,750	444	53,668,836	6	6,700,000	653	112,172,586
46	Idaho	325,594	46	2,640,000	134	3,607,264	[c] 12	654,060	192	6,901,324
47	Utah	373,351	21	2,780,000	73	4,423,180	[c] 2	550,000	96	7,753,180
48	Nevada	81,875	11	1,742,000	19	1,835,000	3	1,130,000	33	4,707,000
49	Arizona	204,354	13	1,030,000	[c] 39	1,592,126	.....	.....	52	2,622,126
50	Alaska	64,356	2	100,000	13	872,000	.....	.....	15	972,000
	Total Pacific States	5,241,834	453	79,666,750	1,088	82,285,506	43	12,784,060	1,584	174,736,316
51	Hawaii	191,909	4	610,000	7	2,399,500	.....	.....	11	3,009,500
52	Porto Rico	1,118,012	1	100,000	[c] 8	1,414,987	.....	.....	9	1,514,987
53	Philippines	.....	.....	.....	[c] 2	2,000,000	.....	.....	2	2,000,000
	Total Island possessions	1,309,921	5	710,000	17	5,814,487	.....	.....	22	6,524,487
	Total United States	93,346,543	7,277	1,019,633,152	14,370	539,345,319	1,255	398,384,050	22,902	1,957,362,521

[a] Includes stock savings banks.
[b] Banking institutions known as "Bank and Trust companies" which do not transact a trust business have been classed with state banks.
NOTE.—Data for State banks and trust companies, not otherwise indicated, from bankers' directories.

[c] From reports compiled by the Comptroller of the Currency, as of June 7, 1911.
[d] From annual report of the commissioner of banking, Pennsylvania, for 1910.
[e] Classification by municipal districts.

THE AMERICAN BANK UNION.
A PLAN FOR A BANK CURRENCY FOR THE UNITED STATES.

The Congress to charter a Bank to be located in Washington, D. C. The stockholders to consist of, first, the UNITED STATES, for such sum as the Congress may deem proper; and the other stockholders to be the Banking Institutions (only) each one to the extent of one-tenth, or one-fifth, or one-quarter, or one-third, of its own Capital, as it may elect.

All subscriptions to be paid in GOLD COIN of the United States. The Capital stock of the AMERICAN BANK UNION to constitute a reserve, on the strength of which and other security to be given by the stockholding Banks, the AMERICAN BANK UNION may issue its notes in the proportion of three dollars in notes to one dollar in GOLD.

Any stockholding Bank to be permitted to borrow of the AMERICAN BANK UNION its notes to the extent of three times the amount of its subscription, provided it deposit with the AMERICAN BANK UNION security consisting of a part of its assets, but all securities offered must be approved by the Board of Governors of the AMERICAN BANK UNION with a margin to be specified by said Board; provided further, that in estimating the margin of security for such loans, the Board of Governors must take into consideration the value of the stock which the borrowing Bank owns in the AMERICAN BANK UNION, and regard it as a part of the security.

Stock in the AMERICAN BANK UNION will not be transferable so long as the stockholding Bank is indebted to the AMERICAN BANK UNION.

For such loans the borrowing Bank must pay interest at the rate of two per cent per annum.

In the event of a great demand for currency, such as financial panic, or the movement of the crops, any stockholding Bank may borrow additional notes of the AMERICAN BANK UNION, to the extent of one and one-half of its interest in the AMERICAN BANK UNION, upon depositing with the said Bank additional securities acceptable to the Board of Governors, the margin to be determined by said Board; but must pay for the loan of said notes interest at the rate of five per cent per annum for the first half of the additional loan, or any part thereof, and six per cent per annum for the second half, or any part thereof.

Any stockholding Bank may borrow less than it has the right to borrow. Any stockholding Bank may increase or diminish its indebtedness to the AMERICAN BANK UNION according to the demand within the limits stated, provided that not more than ten millions of dollars shall be withdrawn in any month, from the whole Bank note circulation.

The AMERICAN BANK UNION shall do no other business than to issue its notes, lend them to its stockholders and redeem them when presented; except that it may receive on deposit GOLD COIN and issue its notes therefor, dollar for dollar.

(The AMERICAN BANK UNION would simply be a Currency Bureau for all Banks which became stockholders.)

The profits of the AMERICAN BANK UNION should be divided semi-annually after setting aside annually one-tenth of one per cent of its capital as a Guaranty Fund, until that Fund shall reach the sum of Twenty-five Millions of Dollars, and said Fund should be maintained at these figures.

All notes loaned to any Bank should be designated by a

number, by which the different Banks would be distinguished.

The AMERICAN BANK UNION must redeem all of its notes presented for redemption, and when as much as Five Hundred Dollars (bearing the same number) have been redeemed, notice should at once be sent to the Bank designated by that number, to forthwith remit to the AMERICAN BANK UNION, the same amount in GOLD COIN, on receipt of which, the old notes should be destroyed and new notes issued and sent in place thereof.

In case of the failure of any Bank indebted to the AMERICAN BANK UNION, the Board of Governors should have the power in their discretion to sell the securities deposited with said Bank, within sixty days, and out of the proceeds, including the par value of its stock, to redeem the notes loaned to the failed Bank, and turn the balance over to the receiver or other representative of the failed Bank, but its share of the Guaranty Fund should be forfeited to said Fund.

If for any cause the capital stock of the AMERICAN BANK UNION should become impaired, a pro rata assessment should be made on the stockholders to make the same good, but it should be understood that the reduction of the capital when paying off the stock of a Bank that has failed, is not to be considered an impairment.

As to the organization of the AMERICAN BANK UNION, the Comptroller of the Currency should be Chairman of the Board of Governors, and the other members should be elected by the stockholders, and should reside at or near Washington, and be allowed a reasonable salary, commensurate with their duties and positions.

All officers of the Bank should be elected by the Board of Governors and hold their places during good behavior, but for cause should be removable by a two-thirds vote of the Board. (This rule to keep politics out of the Bank.)

All National Bank Currency should be retired within six months after the AMERICAN BANK UNION commences operations, under such rules as may be recommended by the Secretary of the Treasury.

Two agencies to be established *for redemption only,* one at St. Louis and one at San Francisco.

February 12, 1906, Norfolk, Va.

A CENTRAL BANK TO BE CALLED THE AMERICAN BANK UNION.

Principal features of a plan for a Bank Note Currency for the United States of America.

First. A Uniform Bank Note Currency.

Second. To be *Guaranteed by all the Banks participating;* in other words, all Banks who may become stockholders in the Central Bank.

An issue of Bank Notes based on a deposit of Gold in the proportion of three in notes to one of Gold.

Third. The Notes will be secured by a deposit of Securities by the Banks borrowing said notes, which Security must be approved by the Board of Governors of the Central Bank.

Fourth. All notes to be redeemed in Gold on demand by the Central Bank, which is to be reimbursed by the Bank for which they were issued.

Fifth. A Guarantee Fund to be set aside out of the profits of the Central Bank of One-Tenth of one per cent per annum, as a further security.

Sixth. The Central Bank to do no other business than to issue notes, lend them to the Stockholding Banks and redeem same when presented.

Seventh. The United States to be a Stockholder and the Comptroller of the Currency to be Chairman of the Board of Governors.

Eighth. The exclusion of politics from the management of the Central Bank.

Ninth. The entire issue of notes may on ordinary occasions be equal to the sum of the Capital Stock of all the Stockholding Banks, and in time of a panic, this amount might be increased by fifty per cent.

Tenth. The elasticity of the Bank Currency is provided for by allowing the Banks to borrow only what they require in dull seasons, and permitting them additional notes in times of financial stress or when more currency is needed to move the crops.

Remarks:—As the Central Bank will usually have outstanding notes for three times its Capital loaned to the Stockholding Banks at the rate of two per cent per annum, it will be earning six per cent per annum on that Capital. After paying all expenses and taxes and setting aside the annual contribution to the Guaranty Fund, it will be able to declare Dividends of three to four per cent per annum to the Stockholders. So the reserve fund will not be idle.

Thus the Banking Institutions of the country can be provided with a Currency which must command the confidence of every one. All the machinery for redemption will be provided by the Central Bank; all expense of Engraving; all Taxes on Circulation will be paid by the Central, which expenses and taxes, the Individual Banks now have to pay. The notes issued to each Bank would be treated by it as its own CIRCULATION, and it would take measures to make good their redemption by the AMERICAN BANK UNION.

There would be no use for Gold outside of the Central Bank's reserve, except in the event of a heavy and continued balance of trade against this Country; then the immense Gold Reserve of the Central Bank would come into use, and would be able to stand an immense strain, especially in having all the Banks in the Country lending their support.

This Plan does not affect the National Banks except as

to the issue of circulating notes; all other privileges and duties would remain as at present. It would furnish a circulating medium for all parts of the United States, no matter how remote.

Under our laws at present, there is undoubtedly a discrimination against the State Banks; with such a plan in force, there would be no demand for a repeal of the law imposing a penalty of ten per cent per annum for putting in circulation State Bank notes.

The present issue of the National Banks to be retired within six months after the AMERICAN BANK UNION commences operations.