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The History of Banking in Canada

BY

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TABLE OF CONTENTS.

Table of Contents

Table of Contents

APPENDICES.

THE HISTORY OF BANKING IN CANADA.[a]

I.—The Earliest Banks.

Efforts to introduce the practice of banking into the British North American provinces were put forth as early as 1792. The "Canada Banking Company," then organized by certain English firms and Montreal merchants, was not destined long to survive its origin, although one at least of its 5-shilling notes which has been preserved (No. 6803) is proof that it exercised the function of issue. It seems to have left little trace, either in men's memories or in the records of the time.

Twenty-five years had passed before the next considerable project of a bank of issue, discount, and deposit was

[a] Authorities and Sources: By far the most accurate, painstaking, and thorough discussion of the development here to be reviewed is in the series of chapters contributed by Professor Adam Shortt, sometime of Queen's University, Kingston, Ontario, to the *Journal of the Canadian Bankers' Association*, Toronto (later Montreal), 1896–1905. Cited more particularly, these are:

"The Early History of Canadian Banking," Vol. IV, 1896–1897, Nos. 1, 2, 3, and 4; Vol. V, 1897, No. 1.

"Canadian Currency and Exchange under French Rule," Vol. V, 1898, Nos. 3 and 4; Vol. VI, 1898–1899, Nos. 1, 2, and 3.

"The History of Canadian Currency, Banking, and Exchange," Vol. VII, 1900, Nos. 3 and 4; Vol. VIII, 1900–1901, Nos. 1, 2, 3, and 4; Vol. IX, 1901–1902, Nos. 1, 2, 3, and 4; Vol. X, 1902–1903, Nos. 1, 2, 3, and 4; Vol. XI, 1903–1904, Nos. 1, 2, 3, and 4; Vol. XII, 1904–1905, Nos. 1, 3, and 4; Vol. XIII, 1905–1906, Nos. 1, 2, 3, and 4; Vol. XIV, 1906, No. 1.

A preliminary survey of the more accessible material was undertaken by the present writer in "The Canadian Banking System, 1817–1890,"

brought to the point of opening for business. This was in the province of Lower Canada and in the city of Montreal. For lack of legislation giving them corporate powers, the promoters of the bank began their work under articles of association, and so worked until a provincial charter was obtained in 1822. The initial paid-in capital of the first bank was £25,000 currency, or about $100,000. Like action to that of the Montreal Bank—the name of the new organization—was taken in Quebec by those who formed the Quebec Bank the following year, and by another group of Montreal proprietors, a number of them Americans or persons interested in the American trade, under the style of the Bank of Canada.

published in the *Journal of the Canadian Bankers' Association*, Vol. II, Toronto, 1894–1895, and in the *Publications of the American Economic Association* Vol. X, Nos. 1, 2, and 3, New York, 1895. A detailed bibliography was printed as an appendix to that dissertation.

Illuminating discussion of the recent history of the Canadian system is available in the pages of the *Journal of the Canadian Bankers' Association*, published quarterly since 1893. A good part of the work by GEORGE HAGUE, "Banking and Commerce," New York, 1908, is concerned with episodes of the Canadian history or illustrates the organization and operation of the Canadian banks. The administrative technique—the internal regulation—of these corporations is well described by H. M. P. Eckhardt in his "Manual of Canadian Banking," Toronto, 1909. For the Canadian bank act in the light of judicial interpretation there is nothing better than the copious and learned annotation of Justice J. J. MACLAREN, "Banks and Banking," Toronto, 1908. As introduction to this work there has been printed one of the admirable addresses of Dr. Byron E. Walker, who, with George Hague and James B. Forgan, has done much toward acquainting American bankers of the peculiarities and advantages of the Canadian system.

The present paper is based upon the session laws and legislative documents of the several provinces, and of the Dominion, the parliamentary debates, where reports were accessible, contemporary newspapers, memoirs, and pamphlets, and in respect of recent history, upon the oral accounts of many who had knowledge of the events detailed. Grateful acknowledgment is owing, as well for this last assistance, as to the researches of Professor Shortt into difficult phases of the earlier history.

The successful operation of the Bank of the United States in the country to the south, the scant supply of currency in the colonies and the variety, in point both of origin and of condition, of such coin as was in circulation, the nuisance of promissory notes and merchants' *bons*, issued or used without lawful authority in substitution for coin, and a lack of adequate capital to handle the colonies' trade, to develop their farms, fisheries, and forests, or to expand their exports, had all prompted much discussion of banks some years before any was actually begun. It is of record that even in 1767 the authorities of Lower Canada were asked to grant a monopoly of the issue of *bons* or due-bills. Fifty thousand pounds were subscribed in 1801 toward a projected bank in Halifax, the plan failing because those interested sought monopoly privileges from the legislature. In 1807, Montreal and Quebec merchants joined in petitioning their legislature for a bank charter, and in the session of the assembly the following year a bill to incorporate divers persons as the Bank of Canada reached the stage of printing. At Kingston, Upper Canada, a similar movement was begun in 1810, but the effort failed. So also one of like nature started in Halifax in 1811.

The first bank of the upper province did not begin business until 1819; the first bank of Nova Scotia in 1825. In Kingston (Upper Canada) as in Montreal, the promoters, failing of incorporation, organized under articles of association, the articles being substantially the same as those adopted by the lower province banks. The Halifax institution was a private partnership. Bills to incor-

porate banks failed in the Nova Scotia legislature in 1822, as well as in 1825.

So far as the records show, the first of any British North American charter granting incorporation to a banking company which not only was passed and approved, but was also actually used by the beneficiaries, was the New Brunswick act of 1820 incorporating the president, directors, and company of the Bank of New Brunswick, with its principal office at St. John. For one reason or another, mostly reasons of domestic or colonial politics, action in this direction proposed to the legislature of Lower Canada in 1815, 1816, 1817, 1818, and 1819, either failed of passing or, passing, failed of the royal assent, without which no legislation of these colonies had force. The bills which finally incorporated the first three banks of Lower Canada were passed by the legislature in 1821 and came into force by proclamation the following year. In the upper province a bill to incorporate a "Bank of Upper Canada" was passed in the session of 1817, but the royal assent was first proclaimed in 1819 after the time limit within which the bank was to begin business had expired.

The legislature proceeded then to pass two charters, the one for the Bank of Kingston, and the other for the Bank of Upper Canada. The second measure, being in the interest of the historical family compact, the dominant political faction, contained a provision for a stock subscription on behalf of the provincial government and was reserved, though the royal assent was eventually proclaimed in 1821. The Kingston charter was forthwith approved by the lieutenant-governor, acting for the Crown, but those interested in it, many of them being

also shareholders in the private bank already established failed to raise the capital of £20,000 required before beginning business, and thus forfeited their rights by non-user until January 1, 1821.

If ever they were published, the precise terms of the earliest Nova Scotian organization are not now accessible. But the articles of the Quebec Bank, of the Bank of Canada, and of the private (afterwards called the "pretended") Bank of Upper Canada, at Kingston, appeared in the newspapers of the day, as did also the document from which they were apparently copied, the articles of the Bank of Montreal. Through the ingenuity and research of the leading authority upon the early history of Canadian banking there has been found, moreover, a copy of the master document of this phase of Canadian banking history—the bill, that is, introduced into the legislature of Lower Canada in 1808. The first charters, of course, are all available in the session laws of the various provinces.

A comparison of the bill of 1808 to the charter of the first bank of the United States has shown beyond all doubt that the essential features of their proposed bank charter were framed by the Canadians quite in the spirit, and for long and significant passages, exactly in the letter of Alexander Hamilton's provisions for a national bank. In the Canadian project, for example, there was an arrangement for a government subscription, the appointment of government directors, and the payment of the government subscription by government debt; for shareholders voting by a scale designed to minimize the influence of large holdings; for excluding

aliens from the directorate; for limiting the holdings of real property; for restriction of the total debts of the corporation to a prescribed proportion of its capital; for the payment of half yearly dividends, if earned, and for the establishment of offices of discount and deposit at places other than the domicile of the bank. While there are abundant changes and additions in the Montreal bill, the language of the American act is followed so literally, even through whole sections, as to preclude any other explanation than that the southern measure, proven successful and advantageous in operation, served as model for the draftsmen of the north. The principal interests concerned in the project of 1808 were much the same as those which finally brought about the organization of the Montreal Bank.

When the legislature was induced to pass charters, some ten or twelve years after the plan of 1808 failed, the feature of government participation was omitted from the Lower Canada charters. But in the upper province, as has been seen, the earlier suggestion was adopted by the members of the family compact. It was provided that in the bank at York (Toronto) for which they got a charter the provincial government should take one-eighth of the whole capital stock. Through a subsequent reduction of the authorized capital the government share became a fourth. In other essentials the articles of 1817 and 1818 and the acts of 1819 to 1822 all show marked similarity to the bill of 1808. The changes from this model are to be found, for the most part, merely in the phraseology or in the stipulations

concerning the capital stock and the par value of the shares into which it was to be divided.

The charter of the Bank of Montreal, for example, recited the formation of an association some years earlier and the desire of the shareholders for incorporation under provisions corresponding as nearly as might be with the terms of their original association. The legislature therefore formed the 144 shareholders into a body corporate and politic, with corporate powers continuing to June 1, 1831. The capital was fixed at £250,000 currency,[a] all to be paid up in annual installments of not more than 10 per cent within nine years from the passing of the act. There were to be 13 directors, only natural-born or naturalized British subjects or residents of Montreal for three, or of the province for seven, years, and holders of at least 10 shares being eligible to the office. Directors were forbidden to act as private bankers during their term of office or to receive any salary except such as might be voted by the shareholders in general meeting. They were authorized to appoint the officers of the bank and to require proper bonds. They were required to declare half yearly dividends out of the funds of the bank, but never so as to lessen or to impair their capital; to keep a register of stock transfers and to present to the annual meetings of shareholders statements of the debts due to and from the bank, amount of bank notes

[a] Halifax currency, 12d.=1s.; 20s.=£1; £1 (approximately)=$4. Through long periods the British pound sterling was conventionally equal to £1 4s. 4d. Halifax currency. There were no coins exactly corresponding to this arbitrary money of account, which was used in Canada down to 1858, but the Spanish and American dollars generally passed for 5s. or a trifle more.

in circulation, amount of probably bad or doubtful debts, and the surplus or profits, if any, remaining after deduction of losses and provision for dividends. Should the debts of the corporation, whether by bond, bill, or note, exceed thrice the amount of its capital stock, over and above a sum equal to such money as might be deposited with the bank for safe-keeping, the directors were to be liable in their natural capacities—severally and jointly, that is—for the excess, not only to the creditors, but to the shareholders as well. As escape from this liability, directors in opposition might publish their protest within eight days of the time the illegal enhancement of indebtedness occurred. The Bank of Montreal and the Bank of Canada shares were rather larger than others of the time, being fixed at £50 each. The Quebec Bank's shares were for £25 each and those of the Bank of Upper Canada were for £12 10s. each.

Shareholders were accorded votes in the meetings of the company in such a proportion that, while the holder of 1 to 2 shares had 1 vote, the holder of 100 shares could have but 20 votes, no matter how many shares he held.[a] After the first election of directors no share was to carry a right to vote unless held for three months prior to a meeting. Transfers of stock were effective only when

[a] Precisely, the scale was this:

	Vote.
For holders of 1 to 2 shares	1
For each 2 over 2 shares	1
For each 4 over 10 shares	1
For each 6 over 30 shares	1
For each 8 over 60 shares	1

The holder of 10 shares would thus have 5 votes; of 30, 10 votes; of 60, 15 votes; and of 100, 20 votes, as in the first Bank of the United States. In the Montreal charter, however, no holder was permitted more than 20 votes.

registered at the bank, and even then not until the transferor should have discharged any debts then due from him to the bank in excess of the value of his remaining shares.

Shares were made personal property and liable to seizure in behalf of *bona fide* creditors other than the bank for debt, it being provided that attachments should be served on the cashier of the bank. Shareholders failing to pay calls were penalized 5 per cent upon the amount of their stock. On the other hand, they acquired the privilege of a liability limited to the amount of their subscriptions in the provision, "no shareholder shall be answerable in his private or natural capacity for the debts of the said corporation." Fifty shareholders, owning 150 shares, might call an extraordinary meeting of the proprietary.

The bank thus created was empowered to sue and to be sued in the corporate name of the company; to issue promissory notes intended for circulation and payable on demand in specie current by the laws of the province; to deal in bills of exchange and in coin and bullion; to discount notes of hand and promissory notes and to receive the discount at the time of negotiating; to sell stock (goods) pledged for money lent and not redeemed, and, finally, by implication, at all events, to receive deposits. Practically all other forms of activity were forbidden. Even the power to take and to hold mortgages, hypothèques, or real property by way of additional security for debt contracted to the bank in the course of its dealings was coupled, wisely enough, to be sure, to a prohibition against lending upon any account, upon mortgage, hypothèque or upon land or other fixed property. The corporation

was forbidden, on pain of forfeiture of its charter, to lend money to a foreign state. It might not raise loans of money or increase its capital; neither was it permitted "upon any pretext whatsoever" to demand or to receive upon its loans or discounts any interest exceeding 6 per cent per annum.

For forging the common seal of the bank or its bonds, bills, and obligations, or for passing them, knowing them to be forgeries, the penalty was imprisonment for not less than six months nor more than six years at hard labor, with the picturesque options, in the discretion of the court, of a public whipping or of standing in the pillory. But for making or engraving plates or tools for counterfeiting the bills of exchange, promissory notes, undertakings, or orders of the bank, the punishment provided was death as a felon without benefit of clergy.

Two other provisions need be cited to make this outline of a characteristic early charter complete. Both saved the rights of the province. The thirteenth section of the act made it plain that the person administering the government of the province for the time being, or either house of the legislature, might require from time to time statements under oath of the bank's capital stock, debts due, notes in circulation, and cash on hand—this "for the better security of the public." The twenty-first section continued the life of the bank to June 1, 1831, with the proviso "that if before the expiration of that period it shall at any time be found expedient to establish a Provincial Bank in this Province, and that this same be so established by an act of Legislature thereof, then and in that case the said corporation of the President, Directors,

and Company of the Bank of Montreal shall from and after the expiration of seven years from the passing of such Act, be dissolved, and all and every the powers, rights, privileges, and benefits hereby given and granted to the said corporation shall from thenceforth wholly cease and determine, everything in the present Act contained to the contrary in anywise notwithstanding."

Under charters of similar purport the capital of the Quebec Bank was fixed at £75,000, that of the Bank of Canada at £200,000. But it was not until 1831 that the Quebec Bank had called up the full amount, or that the Bank of Montreal, which had had £87,500 paid up in 1818, could report its joint stock at the £250,000 authorized by the act. In 1824 the stock of the Quebec Bank was reported at £51,377, of the Montreal at £187,500, and of the Bank of Canada at £93,825. The latter, finding the trade in American exchange less lucrative than expected and meeting heavy losses besides, gradually wound up its business, though without loss to its creditors, and some time prior to 1831 ceased banking altogether.

Modest as were these capitals of Lower Canada, the bankers of the upper province were unable to report anything like them. The copartnership or association at Kingston probably never had more than £11,500 of capital paid in. That was about the sum at which it stood when, partly because of internal dissensions, partly by reason of unskilled or ill-advised operations, the partnership became bankrupt late in September, 1822. Against a note issue and other debts to the public of some £19,000, the bank had due to it on bond and note a sum

rising £22,000. The liquidation, however, was sadly mismanaged from the outset and after sixteen years and more there was still a sum of £5,000 due divers creditors of Upper Canada's first bank. The shareholders appear to have lost all they put in.

Notwithstanding the backers of the chartered Bank of Upper Canada had proposed the ambitious capital of £200,000, at the time their bill was presented to the legislature, they soon had sufficient experience of the scarcity of coin in the province to obtain a reduction of 50 per cent in the sum of specie required to be paid in before the beginning of business. By an act of 1822, the bank was allowed to start with £10,000 paid in. In 1823 the authorized capital was also reduced by half to £100,000, at the same time as the provincial government was empowered to appoint four of the fifteen directors. Two years from the foundation of the bank in 1822, the capital paid up was only £28,181; in 1826 it stood at £54,037; in 1828 at £72,410, and not until 1830 did it reach £100,000. Half the £10,640 or less, with which the bank had begun operations, was found by the provincial government. As early as 1817, and again in 1819, the legislature of Upper Canada had made a certain improvement upon Lower Canada acts in so far as the acts passed here forbade the bank to issue notes for less than 5s., and provided that upon refusing payment of its bills in specie a bank should suspend proceedings until payment had been resumed. The Bank of Upper Canada was expressly authorized to establish branches. The lower province establishments, on the other hand, were nowhere enjoined to confine their operations to one place.

No one can pretend, after scrutiny of the earliest Canadian charters, that the laws governing banking were strict or their conditions severe. Provisions now reckoned indispensable for protecting the public were either lacking altogether, or, if embodied in the legislation, were deficient in form and devoid of statutory sanction. The liability of shareholders, for example, was limited to the amount of their subscriptions to the stock. This formed some protection to public creditors so long as the stock was not all paid up, but once the authorized capital had been reached, the safeguard of a contingent liability ceased. The issue of notes could proceed to any length, so long as the total debts of a bank, over and above its deposits, did not exceed thrice its capital stock. No apparatus was provided to insure the specie payment of the shares or of calls upon the shares, before the bank began to exercise its rights. No specific penalty, except in Upper Canada, and then it was a mild one, was imposed for suspension of specie payment. Neither were there safeguards against a bank's lending on its own shares, or against directors unduly exploiting in their own behalf their institution's control of funds. The one offense deserving forfeiture of charter, in the opinion of the Lower Canada legislature, seems to have been the loan of money to a foreign state.

As it happened, however, those who owned and managed the first banks were animated by another purpose than to take advantage of the law's defects. What they wanted, apparently, was to make as large a legitimate profit as they might in relying upon legitimate means. The original proprietaries of the Bank of Montreal and

Quebec Bank included a goodly proportion of the wealth and respectability in those cities, and that of the Bank of Upper Canada, though politics rather than commerce predominated, was made up of those who had won standing, esteem, and power in the province. Both the Bank of Montreal and the Bank of Upper Canada had the advantage of alliance with the dominant political party; the Bank of Montreal was favored also with the government account. Until 1832 no other bank was chartered in either province.

In the lower province, the prejudice of the French Canadians against paper currency and their reluctance to accord their English neighbors legislative favors in the shape of charters; in the upper province, the determination of an efficient and well intrenched political faction to keep the valuable franchise of banking in its own hands along with any other available opportunity for power or profit—these were the factors that. for the time at any rate, prevented the multiplication of banks. The influence in the legislative council of the partners of a private banking company formed in 1825 hindered the issue of a legislative charter to any bank in Nova Scotia before 1832, while with one small exception, no bank was authorized in New Brunswick between 1820 and 1835. The difficult period of youth, accordingly, was passed by all the early banks in communities where lenders of money were able more or less to pick their risks.

It must not be forgotten, however, that these were also communities to which the practice of banking was so far familiar only by hearsay, by experience with like institutions in the United States, or by use, outside of banks, of the contracts, securities, money, bullion, and pledges in

which banks dealt. All the colonies were accustomed to the trade in bills of exchange, for the great bulk of manufactures and a large proportion of the supplies used in any of them had to be imported from the south, the West Indies, or Great Britain. Furthermore, it was the custom of the British military establishment, as of the French commissariat before the conquest, to find funds for local expenditures in part at least by the sale of bills instead of by the import of specie. New France had learned the disadvantages of a legal-tender paper currency through a grievous experience with "card money" issued during the closing decades of French rule in enormously excessive quantities, quite beyond the power or inclination of the home treasury to redeem. Hence a deep-seated distrust of paper among the French population of Lower Canada and a disposition to hoard coin. In Nova Scotia, a first issue of treasury notes had been made in 1812, and other issues, all reissuable but not all of them redeemable on demand, followed in 1813, 1817, and 1819. In the two Canadas, finally, apart from divers private promises, there had circulated during the war of 1812 and for some time thereafter, the so-called army bills—legal-tender paper paid out by the commissary-general of the forces in exchange for supplies for the troops, and redeemable in bills of exchange upon the British treasury. With these last the experience had been satisfactory to a degree. Why it had been satisfactory the Canadians of the time seem not always to have understood. Some of them, at all events, overlooked the fact that they were selling their produce at high prices and getting cheap bills of exchange wherewith to pay for imports. Some failed to see that the wealth and

prosperity of the colony were increasing swiftly under the stimulus of a copious inflow of capital from without. Such persons were inclined to explain the good times that lasted through the war and for several years beyond the peace merely by the abundance of a circulating medium, convenient, easily recognized, and of a uniform value.

Inasmuch as the colonies had no coins of their own minting and most of the British specie was promptly exported across the Atlantic, a uniform currency had to be a paper currency. Legal tender, consisting of French, American, South American, Spanish, Portuguese, and Mexican coins, such as these colonies had, each coin given its special rating by the act which made it current, could scarcely furnish a uniform circulating medium in any circumstances. Thus the money changer found his opening and the shrewd peddler or trader took every chance to pay out overrated coin and to retire the gold or silver pieces worth more elsewhere than in Montreal or Quebec. Later on, even the banks, when called upon to redeem notes in specie, did not always scorn to furnish coin of a bullion value so far below the nominal rating that the applicant stood to lose less by paying a stiff rate of exchange for the means of remittance he desired. While the Imperial Government expenditure on the one side and on the other the British North American export of timber, furs, grain, and, later on, pork and flour, generally gave the colonies a favorable balance as against Britain, and the exports to the south or sales of exchange thither a favorable balance in the United States as well, about the only practicable way to realize this balance was by import of specie over the difficult and costly routes from Boston

and New York. Once the equilibrium was restored, the Canadian colonies were subject to a pretty regular drain of the smaller coin through the traffic with the American settlements along their southern borders. Not infrequently it was necessary to make considerable payments for produce shipped from the United States by the St. Lawrence. With the reduction of the imperial forces in the colonies, and with the decline in the demand for their exports, which occurred in 1815–1819, the comparative comfort of the Canadian position sensibly diminished.

The situation, nevertheless, was to all appearances one in which there were both need and opportunity for banks. In satisfying the needs of their communities for currency and capital the banks might have been tempted unduly to expand the structure of credit or to inflate their note issues beyond the point of safety. But best to take advantage of the lucrative opportunities of the specie and exchange market, they were obliged to keep their resources fairly well in hand, their position tolerably sound. From the outset, directors and cashiers appear to have kept steadily in mind the prospect of calls for redemption either in specie or exchange. In Lower Canada, of course, competition for the note issue caused each of the banks to act on the other as a check. In the upper province, where the Bank of Upper Canada had no local rival, there were always need for exchange and a well-nigh constant call for coin in the American trade. Though it ceased to redeem its own notes in Montreal in 1826, it was still obliged to furnish exchange upon the Lower Canadian towns. Not seldom pressure was suffered from agents or customers of the Lower Canada banks, such

pressure being applied in the territory the Bank of Upper Canada reckoned peculiarly its own.

Hence even in the western community, where nearly forty years were to pass before strictly commercial banking was generally to supersede lending upon accommodation paper, or land banking thinly veiled, there was abundant incentive to prudent administration. Rather than statutory precautions, it was the process of frequent redemption, the competition between banks, the size of the capitals which their proprietors had at stake—large, compared to the resources and development of their several communities—and the restriction of the banking franchise to a few which saved the first Canadian banks from disastrous error and their creditors from serious loss.

What was true then held true through most of the subsequent history of the Canadian banks. Worse frauds and more scandalous bank failures occurred under the developed Dominion legislation of 1871 and 1880 than in any of the provinces prior to confederation. From 1829 to 1866, indeed, not one bank chartered by Upper Canada Lower Canada, or Nova Scotia went down in failure. There were losses, to be sure, and heavy ones, notably in the middle twenties, and again after the panic of 1837, in the trying times of 1848–49, and after the collapse of 1857, but, barring the expressly authorized suspensions of 1837–1839, they managed, all of them, and throughout the term, to uphold their solvency and to maintain the redemption of their obligations in coin.

To describe the scene of the banks' expansion in numbers, offices, resources, and strength, to provide the set-

ting for the story of their development, would be an excursus into economic history beyond this paper's scope. It will be necessary, for the most part, to confine the sketch of events preceding 1867, to an account of the changes in the statutes, regulating banks. And, since the two Canadas, now known as Ontario and Quebec, which were united into the Province of Canada in 1841, became the dominant Provinces in the Dominion, possessing at Confederation the largest number of banks and the most important body of bank legislation, the narrative will be concerned with the Canadian development in the narrower sense of the term.

II.—Bank Expansion and Regulation, 1825–1841.

English immigration, the spread of clearings and the opening up of farms, the growth of the milling industry and generous expenditures upon public works, largely of funds from abroad, combined to give the Upper Canadian economy a decided upward swing, late in the twenties. How marked was the enhancement of prosperity of the Province generally, the increase of land values or the improvement of trade, is suggested by the circumstance that in 1830 the Bank of Upper Canada's capital had been paid up in full, and stood at £100,000, as against £10,640 eight years before. Its discounts—£107,598 at the end of 1826—were £260,557 at the beginning of 1831; its circulation had risen from £87,339 to £187,039 and its specie from £19,066 to £42,664. A dividend of 8 per cent every year but the first since organization, and two bonuses of 6 per cent each, made the tidy sum of £51,000, distributed to shareholders inside of nine years. Notwithstanding the increase of its resources, the bank found itself unable to meet the rapidly growing demand for loans.

Accordingly, the management asked the authority further to increase the stock. In the session of 1831–32 the legislature permitted the addition of £100,000. In the same session, the petition of merchants and others of Kingston, who had been seeking a charter since 1829, was finally given a favorable hearing, and authority

accorded for the organization in their city of the Commercial Bank of the Midland district, with a capital stock of £100,000. Except that returns of condition were required in greater detail and in the form of a balance sheet, this charter showed few advances over that granted the older bank thirteen years before. The bank was suffered to begin business with £40,000 subscribed and £10,000 paid up; but both the banks were forbidden at this time, on penalty of charter forfeiture, to lend upon the security of their own shares. When the Bank of Upper Canada opened subscription books for the 8,000 new shares, six months after the passing of the act, individual subscriptions being limited to 80 shares, applications were received for no less than 25,679 shares, or £320,987 10s. In Upper Canada, at least, there were already in evidence an enthusiasm for banking ventures, a belief in the sovereign advantages of banking establishments, which were soon to pass all bounds.

Rather more than a year after both the old and the new banks had begun operations under the acts of 1832, rumors of royal disallowance of the legislation became current. Through 15 or more agencies, the banks had discounted some £450,000. Their circulation amounted to £300,000. The rumor caused a panic, a panic intensified when the banks ceased discounting, and only allayed when they began again to lend. In point of fact, the colonial office had not gone the length of recommending the disallowance of the acts. But, under date of May 9, 1833, the authorities of Downing Street threatened so to do unless the measures were amended in accord with certain regulations of 1830 framed by the committee

of the privy council for trade and plantations for observance in all legislation for the creation of new banks in the colonies or for the increase of the capital of old ones. "These were precautions," said the secretary of state for the colonies, voicing the opinion of the lords of the treasury, "rendered more necessary by an experience of the prejudicial effects, which have in former periods resulted from the extension of the banking system in the neighboring states without the restrictions they impose." In addition to those prescribed in 1830, the lords of the treasury were of the opinion, certain other conditions should be insisted upon with a view to the security of the public, "both as regards the certainty of the convertibility of the paper issued into specie on demand, as well as the prevention of a series of fluctuations in the amount and value of paper money, which are attended with consequences yet more disastrous to the community."

In deference, however, to the emphatic protests of representatives of Upper Canada, who were in London at that time, the regulations thus revised and expanded in May were modified in October. The substance of those suggested for incorporation in the charter of the Commercial Bank was as follows:

1. The charter of the bank to be forfeited for suspension of specie payments for more than sixty days consecutively or within a year.

2. Notes for circulation to be dated at the place of issue and to be payable on demand, in specie, at the place of date and issue, as well as at the principal office of the

bank, it being expressly understood that it is not intended by this regulation that any branch establishment shall be called upon to pay the notes either of the principal bank or of the other branches.

3. Half the subscribed capital to be paid in forthwith; the moiety at the discretion of the bank.

4. Directors, whether as drawers, acceptors, or indorsers, not to have more than one-third the total discounts.

5. The bank not to hold its own stock or to make advances thereon to shareholders.

6. Weekly balance sheets to be kept at the bank's head office, and from these to be prepared half-yearly average statements of the assets and liabilities, which, together with a statement of the rate and amount of the dividend and of the amount of reserved profits, shall be furnished to the government and published; further returns to be furnished if called for and if required to be verified under oath.

7. The shareholders to be respectively liable for the engagements of the company to the extent of twice the amount of their subscribed shares—that is, to the amount of their subscribed shares and to an equal amount in addition.

8. The bank not to lend or to make advances upon lands or other property not readily available to meet its engagements, but to confine its transactions to what are understood to be the legitimate operations of banking, namely, advances upon commercial paper or good securities, and general dealings in money, bills of exchange, and bullion.

Only the second, fourth, sixth, and eighth provisions were to apply to the Bank of Upper Canada generally; the third and seventh to new shareholders only.

The revised provisions found scarcely less disfavor in the eyes of the Canadians than those of May. True, the president of the Commercial Bank, "to avert the ruin of his shareholders," undertook to submit to the conditions of the lords of the treasury, but for the time being the legislature would have none of them. Those which were not absolutely new, which were colorably covered by clauses in the existing charters, they criticised as unnecessary; the limit put upon directors' discounts was described as higher than any permitted in the practice of the banks. What aroused the strongest objection was the imposition of a double liability upon holders of bank shares. This was locally reckoned little short of an attempt, by intimidating capital, to stifle the prosperity and stunt the growth of a community already suffering from a famine of capital. The banks, on their side, opposed the regulation making notes payable not only at the place of date and issue, but also at the principal office of the promissor, as altogether too difficult and expensive of observance. The heavy outlays for transporting specie, and the dispersal of reserves, or the considerably larger reserves which would be needed, were they subjected to this obligation, lent a certain merit to their contention. What the banks were doing, and wished to keep on doing, was to date notes at the principal office and to conduct branches merely as offices of discount and deposit which would pay out, as circulation was needed, the notes of the parent establishment.

Instead of amending the Commercial Bank's charter in the manner proposed by the imperial authorities, the legislature of Upper Canada, after receiving the report of a committee charged with considering the question in all its bearings, adopted an address to the King, deploring the exercise of the royal veto and praying that the bank acts might stand as they were. Objection to any other course was offered, not only because of the confusion and distress which would follow the disallowance, but also because of the undesirability of imperial interference in what the Canadians were pleased to consider an entirely local affair. In acquainting the lieutenant-governor, in May, 1834, of the King's purpose not to disallow the acts, the secretary of state for the colonies justified this decision by the long time the acts had been in force, the excellent practice of the banks, and the inconvenience likely to follow any other course. But at the same time he took care to insist upon the right of the Crown to impose such conditions as might be thought necessary for the regulation of colonial banks.

Shortly before the Upper Canadian charters had drawn the criticism of the colonial office, a new bank had been chartered by the legislature of the lower province in answer to a petition from merchants and others of Montreal. But, notwithstanding its lack of provisions corresponding to the original proposals of the committee for trade or to the revised regulations of 1833, the act incorporating the City Bank, met with no objection from Downing Street, except on the score that the penalties provided against counterfeit and embezzlement were too severe. When this fault was corrected, the act was approved. The home authori-

ties, consequently, were more or less exposed to the charges of inconsistence which the outraged Upper Canadians freely made. But while the first effort to impose limits to colonial autonomy in the matter of banking was not insistently carried through, it proved possible in the end to subject Canadian banks, not only to the restrictions already cited, but also to additional regulations considerably more comprehensive and distinctly better devised.

The City Bank was not allowed to begin business until £40,000 of capital, out of £200,000 authorized, had been paid up and was in the actual possession of the corporation. Notes for less than £1 5s. ($5) currency, were limited to a sum not greater than one-fifth of the capital stock paid up. Notes for less than 5s. were forbidden. The total debts, as usual, were limited to thrice the capital stock paid up, over and above such sums as might be deposited with the bank for safe-keeping. The charter was forthwith to cease and determine if at any time the circulation should exceed the limit thus set by the act, and the president, vice-president, and directors accessory to an overissue were made personally liable. The bank, finally, was required to furnish under oath, whenever the governor or either branch of the legislature required it, a statement of its condition in the form of a balance sheet. This form of statement, borrowed from Massachusetts legislation, was first adopted in 1830 at the time the charter of the Bank of Montreal was continued until 1837. Together with like new restrictions upon note issue, and the penalty for overissue, the requirement was further embodied in the act of 1831, renewing the charter of the Quebec Bank, and permitting the increase of its capital to £225,000.

Except for an act of 1836, continuing the charter of the Quebec Bank for one year, the City Bank's charter was the last banking measure to pass the legislature of Lower Canada. This singular restraint is not to be explained by any failure of Lower Canada to share in the speculative expansion of the time. It was due rather to the opposition of the legislative council, where the influence of banks already chartered was strong, to the establishment of new ones, and to the hostility of the French in the assembly to the enactment of charters in the interest of English proprietors. The assembly was further influenced by the circumstance that in 1835 a partnership *en commandite* had been formed by a number of French Canadians and opened for the business of banking, although without legislative sanction. The growing bitterness and intensity of the political controversy served but to enhance the favor with which the French Canadian members viewed the venture of their compatriots, and to strengthen their determination to keep the field as clear as possible of further competition.

When the bank charters expired, June 1, 1837, the corporations created by them continued their business at first under temporary charters extending their existence for a year, obtained from the Royal Government, or under reversion to articles of association such as those by which they were governed in 1817–1822. Thus the Bank of Montreal shareholders, although a royal charter had been obtained at considerable expense, sold out their bank to an association of practically identical proprietary and proceeded to open subscription books for a quarter of a million additional capital, whereby the whole stock would

be increased to £500,000. But in 1838 and 1839 all three of the banks obtained short-term charters from the special council which had succeeded the constitutional government of Lower Canada upon the outbreak of the rebellion of 1837. These measures made no change in the obligations or the privileges previously confirmed to the banks, apart from authorizing the increase in the stock of the Bank of Montreal.

In a time of grave political disorders, culminating in armed resistance to established authority, the passing of banking measures is generally limited to the absolutely indispensable. It was certainly the case in Lower Canada in the trying years 1837–1839. Even when, six months before the rebellion broke out, the first suspension of specie payments was decided upon by the banks, it was undertaken without authority from the government. Whether or no the suspension was justifiable must always be a moot question. At the time and to those chiefly concerned it seemed proper enough, if for no other purpose than to safeguard the banks' stores of specie against an imminent drain to the United States, and to prevent too severe and sudden a contraction in circulation and discounts. The statistics of the two years, which are rather full, show that, rather than obtaining an appreciable expansion of loans, the public were subjected to considerable contraction, and that in procuring specie for the payment of duties or exchange for the settlement of obligations abroad they were obliged to pay as high as 13 per cent premium. The average discount upon suspended bank paper through 1837 was 6½ to 7½ per cent; in 1838, about 2 per cent.

The first suspension in Lower Canada lasted from May, 1837, to June, 1838; the second, brought on by a renewed resort to arms by the disaffected element, from November, 1838, to June, 1839. For the second suspension the banks had the authority of an ordinance of the special council. During the term of the suspension banks were forbidden to issue notes in excess of their paid-up capital stock or to pay dividends. Another measure, indirectly due to the disturbed financial condition both of the Canadas and of the United States, which the special council passed at this period, was directed against the unauthorized issue of notes under £5 currency and the issue, howsoever, of notes for less than 5 shillings currency.

The discount upon bank notes had led to the export of much of the country's small change, and resort was had anew to the old plan of merchants' *bons* and due-bills for small sums. The suspension had also furnished a chance after their own heart for a number of irresponsible persons to put into circulation, remote from their pretended domiciles, the notes of banks which had no existence under the law. It was mostly in the western United States that, trading on the favorable reputation of the chartered Canadian banks, these operators sought their victims out, and it was generally a Lower Canadian town to which they imputed the home of their banks. By redeeming, as a preliminary, a few of the fraudulent notes at the pretended head office, or at some temporary office in New York or Chicago, they got enough credit for their paper eventually to float considerable sums. No less than seven such ventures were known in 1837, and most of them, though frequently exposed, kept going until the

second resumption in Lower Canada put the value of their pledges to too severe a test.

The ordinance of the special council limited the issue of notes for less than £5 to persons or banks having a license from the government, and it was evidently the purpose to confine these licenses to companies having royal or provincial charters, or other recognized standing. Penalties, triple the value of the paper concerned, were provided against issues for less than £5 not in accord with the ordinance, and for issues less than 5s., a penalty of £5 for each offense.

Before it had been settled whether the Commercial Bank's charter would be allowed to stand, there began, in Upper Canada, an insistent agitation for numerous additional banks. Those already established also appealed for authority to increase their capital stocks. The Reformers, as the party opposed to the family compact called themselves, were strong enough in the assembly to prevent favorable action upon a petition of the Bank of Upper Canada, but the Commercial Bank was permitted by an act of 1835 to open books for an additional £100,000. The subscriptions for this, the books being closed after one day, amounted to £1,937,125. The only regulations of the committe for trade incorporated in the act permitting this increase were the limitation of directors' borrowings to one-third the total discounts and the prohibition of loans on the bank's own stock. The same year one further incorporation was granted, this to the Gore Bank of Hamilton. A clause of its charter, unlike any in those theretofore passed, forbade any incorporated company to hold shares in the bank, except they had been

conveyed to such company in payment of debts to it previously contracted. In such case the holder was not to be entitled to vote upon the stock for the election of officers. Furthermore, there was imposed upon the shareholders, for the first time in any bank charter, either of Upper or Lower Canada, the double liability for which the colonial authorities had contended. "The shareholders of said bank," ran the charter, "shall be respectively liable for the engagements of the company to the extent of twice the amount of their subscribed shares, including the amount of said stock held as aforesaid." To enforce this liability the directors were authorized to sue. If, in case of failure, the shareholders failed within three months of the proper time to appoint directors, or if the directors neglected or refused to call in the sums for which the shareholders were liable, the government was to have the power to appoint five commissioners to close up the bank.

Neither the Commercial Bank act nor the Gore Bank charter imposed the penalty of charter forfeiture for suspension of payment for periods exceeding sixty days, consecutively or during the year, nor were frequent periodical statements required. Commenting upon this failure to incorporate all the regulations suggested by the Home government, the secretary of state for the colonies wrote that, had he been governed by considerations of the commercial policy alone, he could not have advised the confirmation of the acts in the form in which they were passed. The introduction of the double liability into the Canadian legislation had been anticipated by Nova Scotia in 1832, when the Bank of Nova Scotia was chartered,

and by New Brunswick in 1834, in the act incorporating the Central Bank of New Brunswick.

Thirty-odd bills, pertaining to banking, were brought before the legislature of Upper Canada between 1831 and 1840. It was proposed "to regulate banking" and "to regulate the business of banking" in 1831; "to make general the privilege of banking," in 1833–34; and "to establish an uniform system of banking," in 1835. A measure "for the better regulation of incorporated and joint stock banks" received attention in 1835 and one "for the better regulation of banks and for protecting the interests of the public" in 1836; another, "to require banks and other corporations to pay a part of their profits to the receiver-general," in 1836–37. None of these thirty measures passed. Many of the proposals were brought forward by the Reformers, who affected to believe in the general principle, widely advocated in the states to the south, of opening the business of banking under some uniform scheme of safeguards to whomsoever should wish to enter it. But, in 1833, the house of assembly actually passed a bill to enable the receiver-general to issue bank notes chargeable on the public, and, in 1835, a select committee, after prolonged deliberation, reported to the house in favor of the establishment of a provincial bank on the basis of loans guaranteed by the province. Eleven unsuccessful petitions for incorporations were presented by divers groups of promoters or of persons wishing to stake capital in banks between 1830 and 1840. Most of these, of course, were presented prior to 1837. It was truly a time of overtrading, land speculation, commercial expansion, increased consumption, excessive borrowing,

and undue conversion of floating capital into fixed forms. Through the whole province and among both parties there developed a confidence, a veritable faith in the magic power of more banks, or of more bank capital, as a certain instrument wherewith to augment wealth and to put the colony's prosperity on a basis sound for all time. Three or four other petitions were, or had been, before the Assembly at the time the Gore Bank obtained its act, and in the following year the Assembly was induced to pass a number of charters, only to see them rejected by the legislative council. In the session of 1836–37 no less than nine new charters were passed by both branches of the legislature.

By this time, fortunately enough, the imperial authorities had seen "only too much reason to anticipate the rapid approach of a period in which the multiplication of ill-secured representatives of coined money would involve the British-American colonies in the most serious financial difficulties." Under date of August 31, 1836, the colonial office instructed the lieutenant-governor not to permit any act, ordinance, or regulation, touching the circulation of promissory notes, or the local legal tender, to come into operation without having first received the royal sanction conveyed to him by the secretary of state. For some ten years previous the royal assent had been accorded by the lieutenant-governor to measures against which there lay no peculiar objections at the close of the session in which they were passed. Together with acts permitting additions to the stock of the three existing banks, the nine new charters authorized the increase of the banking capital of the province from £500,000 to £4,500,000 currency, the

increase of issue privileges from £1,500,000 to £13,500,000. One project was to make the province a much larger shareholder than ever in the Bank of Upper Canada. The colony was supposed at that time to have about 400,000 of population. None of these bills was disallowed by the home government, but all were sent back to the legislature for reconsideration. Meanwhile the speculative collapse of 1837 occurred in the United States, and the ardor of the Upper Canadians was somewhat chilled. Not one of the reserved bills was reenacted. The peculiar occasion for them having passed, the instructions of the colonial office for the reservation of currency measures were withdrawn at the same time as a new set of regulations for incorporation into colonial bank charters was recommended to the local legislature.

While the prospect of obtaining new charters was still obscured by the political jealousies of the province, efforts were begun toward introducing into Upper Canada joint stock banking without incorporation, after the English model. Four of these organizations were formed between 1834 and 1836. The proposed or intended capitals were ambitious, but the capital paid up of the whole group was reported in June, 1837, as but £98,023, the note circulation, £17,148, and the loans and discounts at £143,718. An increase of such ventures was stopped by an act of 1837, making unauthorized note issue a misdemeanor, but excepting from the prohibition the four banks already established. One of the four—the People's Bank—was bought by the Bank of Montreal and used as the medium of its operations in Upper Canada until, after the union of the provinces, it could work that territory in its own name.

The Agricultural Bank failed in 1837 (November). The Niagara Suspension Bridge Bank appears gradually to have wound up its business after 1841; the Farmers' Bank, on the contrary, continued its operations in a modest way at all events until some time after 1849.

One other new bank appeared on the scene in this period and began business, not only in Upper and Lower Canada, but also in Nova Scotia, New Brunswick, and Newfoundland. This was the Bank of British North America, founded for the most part upon British capital, by British investors interested in the possibilities of profit to be had from assisting the development of the North American colonies. At first it was merely a co-partnership or association, working under a deed of settlement. It thus became necessary to obtain from each province an act enabling the proprietors to sue and to be sued in the name of an officer domiciled in the province, and permitting operations which might otherwise be prohibited by legislation against unauthorized banking. To this, after some preliminary conciliation of the local banking interests, there was offered little objection in most of the provinces, the prospect of a substantial addition to banking resources being of itself ample to win general favor for the new venture. Five of the North American offices first projected were opened early in 1837, a number of them being provided with local advisory boards. Three more were by way of being opened shortly and four others were in preparation. In 1840 the bank obtained a royal charter, one of the conditions being that the whole capital stock of £1,000,000 sterling should be fully paid up. Curiously

enough, this charter specifically confirmed to the proprietary the privilege of a liability limited to the amount of their subscriptions to the stock.

Together with certain of the Upper Canadian joint-stock banks, the Bank of British North America was largely responsible for the introduction of the practice of paying interest upon deposits. And, although the plan had been followed to some extent by the Commercial Bank of the Midland district, this bank's officers also brought into wider use a method of lending understood by the colonists as the Scotch system of cash credits—a plan whereby, upon proper security being given, a borrowing customer overdrew his account and paid interest upon his debit balance. It might be doubted whether in any community where the value of land at forced sale is not reasonably near to what will have to be paid for it in private treaty the Scotch system of cash credits is a practicable plan. But however this phase of the newcomer's policy turned out, it is beyond question that the bank gave valuable service to the country in which it worked, not only by a considerable contribution to the loan fund, but also by the introduction of a large staff of officers trained in the best traditions of banking in Great Britain. In 1868 no less than eleven sometime officers of the institution were filling the chief executive positions of Canadian banks.

The banks of Upper Canada did not follow the example of their neighbors, either of Lower Canada or of the United States, in suspending specie payments in the spring of 1837. Authority for a suspension was granted in the form of a stay law passed early in July, but this

law limited note issues to the amount of paid-up capital stock and forbade the sale of specie during suspension. All the banks maintained specie payment until September. On the 29th the Commercial Bank took advantage of the act. During this term and until it also, in March, 1838, suspended, the Bank of Upper Canada effected a radical contraction in its discounts and practically ceased to make new loans. It sought and found good profits in the trade in specie and exchange, its position as banker to the provincial government and to the commissary-general of the imperial government giving it exceptionally good command both of coin and of bills. As long as exchange was at a stiff premium its interest was to maintain payments. When exchange fell, as preparations for an early resumption in the United States proceeded, the bank's interest was reversed, and a large note issue, together with a transfer of funds from New York to London, became the thing. From the legislature, accordingly, where the Reformers had lost all power or prestige through the hasty and ill-advised armed uprising of December, 1837, there was obtained an act permitting disposal of specie during suspension and issue of notes to twice the amount of the paid-up capital stock. The suspension of the Gore Bank was authorized shortly after that of the Bank of Upper Canada. In May, 1839, the term of the stay law was extended until November 1, 1839, and it was not until that date that the Upper Canadian banks resumed redemption in coin.

The crisis of 1837 was as severe in Upper Canada, probably, and the results as disastrous to the community

generally, as anywhere on the continent. Much distress was caused by the contraction in discounts, and many a trader, prosperous at the high tide of the boom, found himself in dire want. The collapse in land values was of the most serious description, serving not only to render worthless the security of many engagements entered directly or indirectly upon the pledge or possession of real estate, but also to prostrate confidence in the colony's future. Immigration fell off to a nominal volume; emigration to the United States was begun by alarming numbers of disappointed settlers. All of the banks found themselves burdened by large lockups for which the sole guaranty of payment was badly depreciated land or the faith of sorely crippled borrowers of accommodation loans. Unquestionably the expenditure upon imperial account—outlays necessitated by the political ferment and disorders of the end of 1837—helped considerably to ease the condition both of the community at large and of the banks. Considering how thoroughgoing was the speculative inflation which preceded the collapse, it is little short of remarkable that none of the colony's chartered financial institutions went down in complete wreck. Had it been possible or permissible in 1835–1837 to float more of the projects which were put forward as the colony's economic salvation, it is not to be doubted that the subsequent confusion would have been indefinitely more costly and long drawn out.

As it was, the provincial government fell into nearly as difficult straits as the commercial and agricultural interests. One outcome of this situation was a bill to authorize the issue of bills upon the credit of the province, passed by

the house of assembly early in 1838. The plan was for the issue of small bills, payable after a term, but receivable for public dues, wherewith to continue the public works, augment the shrunken circulating medium, and revive the colony's trade. The legislative council threw the measure out. The following session, however, both houses passed an act "to authorize the issue of bills of credit." They were to be for £1 currency each, payable twelve months after date, chargeable on the provincial revenue, and of a total amount not to exceed £250,000. The lieutenant-governor reserved the measure for the consideration of the authorities at home. The colonial office advised against the allowance of the act. "The issue of such an amount of small inconvertible paper money as a resource for sustaining the public credit," wrote the colonial secretary, Lord John Russell, "is not to be justified, even by the present exigency of public affairs."

In 1840 the legislature of Upper Canada decided to dispose of the government stock in the province's first chartered bank. The 8,000 shares were accordingly sold for £25,250, the par value being £25,000. In eighteen years the dividends and bonuses upon this early investment had amounted to £38,315.

III.—1841–1866.

To temper the race jealousies in the lower province, to allay the political discontent in the upper one, better to order the finances of both, and to establish a firm, impartial, and vigorous government throughout the territory, it was decided in 1839 and 1840 to unite the two Canadas into one province. The union of Upper Canada with Lower Canada and the creation of the new Province of Canada became effective on the 10th of February, 1841. To the new province was accorded the boon of what was locally termed "responsible government"—government, that is, by a committee of the parliamentary majority, acting with a measure of autonomy theretofore persistently withheld by the authorities overseas.

Under the jurisdiction of the new legislature there naturally came the ten banks, the early history of which has already been sketched. Exclusive of the Bank of British North America, their reports of condition about July 1, 1841, showed a total capital (paid up) of £1,485,881 currency, note issues of £871,423, specie for £341,059, deposits of £626,292, and discounts of £2,693,723.

In detail these reports showed:

Bank.	Capital.	Circulation.	Total specie.	Deposits	Discounts.
Montreal Bank	£500,000	£227,048	£125,175	£234,686	£936,553
Peoples' Bank	50,000	----------	----------	----------	----------
City Bank	200,000	108,572	20,378	50,700	340,391
Banque du Peuple	115,759	58,211	8,170	25,360	183,378
Commercial Bank of the Midland District	200,000	205,429	82,890	98,671	461,615
Bank of Upper Canada	200,000	142,849	55,125	144,093	406,927
Farmers' Bank	45,122	14,350	7,867	3,079	54,281
Gore Bank	100,000	77,177	26,385	14,481	165,236
Quebec Bank	75,000	37,787	15,069	55,219	145,362
Total	1,485,881	871,423	341,059	626,292	2,693,723
Bank of British North America	[a] 690,360	50,564	45,828	184,899	575,152

[a] Pounds sterling.

Three of the Lower Canada charters were about to expire, and there were several applications for increased capital in preparation, as well as one petition for a new bank.

At the outset, the question of the revenue of the new province was of more pressing importance than the question of banks. But among the suggestions advanced for the betterment of the revenue there was one which threatened the most important source but one of all the banks' supply of funds. That was the note issue against general assets from which, in conjunction with their shareholders' capital, the banks derived means equal to seven-eighths of their loans and discounts. The new governor-general, Lord Sydenham (formerly Charles Poulett Thompson), a friend of Lord Overstone, and a champion of the "currency principle," which was to become the basic theory of Peel's bank act of 1844, proposed that

the issue of circulating paper be undertaken by the province. What he thus sought was, first, a paper currency perfectly sure of convertibility into the value it represented and free from injurious fluctuations; second, the whole profit of the issue for the benefit of the province, a profit estimated at £30,000 to £35,000 yearly, and capable of being doubled or even trebled in time; third, the immediate acquisition of not less than £750,000 for expenditure by the province upon public works. To reach these ends, Lord Sydenham suggested the establishment of a provincial bank of issue, which, under the management of three commissioners, was neither to discount, receive deposits, or deal in exchange, but in which should be vested the sole right of issuing notes payable on demand for sums of $1 and upward, to a total of £1,000,000. Any issue in excess of £1,000,000 was to be undertaken solely to redeem notes or to buy bullion or coin. One-fourth of the proposed issue was to be covered by bullion or coin, three-fourths by government securities bought by the bank or paid into it. Part of the interest could be used to meet expenses of management; the remainder paid into the provincial revenue. Corollary to these features was the proposal to prohibit the issue of notes by banks after March 1, 1843; such charters as expired before that date were to be continued with power to issue until then, but without it thereafter. Banks whose corporate existence had already been given a longer term, were to be allowed 2½ per cent on their circulation yearly, from March 1, 1843, till the expiry of their charters.

The chairman of the select committee on banking and currency, Francis Hincks, became a ready convert to the

governor-general's views, and succeeded in inducing his committee to report resolutions looking to the incorporation of the project into the law of the province. But from the assembly's view, there were altogether too many objections to the plan. One, as significant as any, was the circumstance that in any economy the chief products of which come from the soil or the forest, a currency of fluctuating volume is no less desirable than wide seasonal variations in the need for a circulating medium are inevitable. From the banks' view, the adoption of the plan meant the loss of a lucrative source of profit, and the necessity of closing branches so as to reduce their lending business to smaller bounds. In the assembly the banking interest was distinctly strong. Upon this occasion, it was backed by the borrowing interests, or, at any rate, by those who looked to the banks for loans. Such persons feared that if the plan went through it would cause a radical diminution in the available resources of those who had to lend. Of some influence, too, was dread lest a provincial bank might unduly strengthen the executive's hand. Although the resolutions were proposed as a government measure, the assembly decided that it was inexpedient to establish a provincial bank of issue or to issue in any way a paper currency on the faith of the province. It was twenty-five years before the promises of the province were issued in substitution for money systematically and in any considerable volume. When these notes were assumed by the Dominion, four years later still, the chairman of the committee on banking and currency of the union was become the confederation's minister of finance. The principles which he then laid down for the regulation

of a government issue of circulating paper were those underlying the rejected measure of 1841.

Partly to make up for the revenue lost by refusing Lord Sydenham's expedient, a tax of 1 per cent per annum was laid upon bank notes issued or circulating in the province. This proved by no means an equivalent, although in 1841–42 the annual revenue reached £9,560 and in 1845–46 ran up to £15,899. Another general measure passed at this time extended to the whole province the powers of banks chartered by either one of the two from which the union was made up. It was stipulated merely that notes of Upper Canada banks issued in Lower Canada should bear date at the place of issue and be payable there as well as at the principal office of the bank.

A revolution in the colony's traditional system of banking having been averted by the decision not to withdraw the issue privileges from chartered companies, action upon petitions for charter renewal and for increased capital became urgent. Petitions considerably to increase the stocks of the old Upper Canada banks and to incorporate two new ones had found approval in the legislature of that province the last session before the union. The bills passed to this end fell before the veto of the colonial office, a veto prompted by the continuance in this legislation of the permission to issue notes for less than £1 each.

Apart from the bank of issue proposed by Lord Sydenham and rejected by the assembly, three other plans were under discussion. A provincial bank in which both individuals and government held shares and to which should be granted an exclusive right to issue paper for circulation, while it was allowed to make discounts and to take

deposits like other banks, was believed to be too monopolistic in its tendencies and fraught with grave political dangers. The adoption of a general banking law, under which anyone complying with the statutory restrictions might enter the business, was condemned by the experience with such measures in the United States, by the multiplication of small local banks to which it led, and by the excessive issues, as well as the weakness and deficient responsibility shown by such banks in times of stress. Remained the third plan, the continuation of the existing system of chartered banks with comparatively large capitals, a system at times liable to put out too many notes, and subject occasionally to undesirable fluctuations, but nevertheless to be preferred. The select committee on banking and currency accordingly recommended the extension of expiring bank charters under uniform regulations and restrictions, most of which had been suggested by Her Majesty's principal secretary of state for the colonies (Lord John Russell) with the expectation that provision for their observance should be made in all colonial bank charters. Since these regulations, together with the supplementary instructions transmitted by William Ewart Gladstone, then colonial secretary, in 1846, contain the elements of any lasting improvement or permanent progress made by Canadian bank legislation between 1841 and 1867, they are worth repeating here in some detail:

"First. The amount of capital of the company to be fixed; and the whole of such fixed amount to be subscribed for within a limited period, not greater than eighteen months from the date of the charter or the act of incorporation.

"Second. The bank not to commence business until the whole of the capital is subscribed and a moiety at least of the subscription paid up.

"Third. The amount of the capital to be paid up within a given time from the date of the charter or act of incorporation, such period, unless under particular circumstances, to be not more than two years.

"Fourth. The debts and engagements of the company on promissory notes or otherwise not to exceed at any time thrice the amount of the paid-up capital, with the addition of the amount of such deposits as may be made with the company's establishment by individuals in specie or government paper.

"Fifth. All promissory notes of the company, whether issued from the principal establishment or from the branch banks, to bear date at the place of issue and to be payable on demand in specie at the place of date.

"Sixth. Suspension of specie payments on demand at any of the company's establishments for a given number of days (not in any case exceeding sixty) within any one year, either consecutively or at intervals, to forfeit the charter.

"Seventh. The company shall not hold shares in its own stock nor make advances on its own shares.

"Eighth. The company shall not advance money on security of lands, or houses, or ships, or on pledge of merchandise, nor hold lands or houses, except for the transaction of its business; nor own ships or be engaged in trade, except as dealers in bullion or bills of exchange; but shall confine its transactions to discounting commer-

cial paper and negotiable securities, and other legitimate banking business.

"Ninth. The dividends of the shareholders are to be made out of profits only and not out of the capital of the company.

"Tenth. The company to make and publish periodical statements of its assets and liabilities (half-yearly or yearly), showing, under heads specified in the annexed form, the average of the amount of its notes in circulation and other liabilities at the termination of each week or month, during the period to which the statement refers, and the average amount of specie or other assets that were available to meet the same. Copies of these statements are to be submitted to the provincial government, and the company shall be prepared, if called upon, to verify such statements by the production, as confidential documents, of the weekly or monthly balance sheets from which the same are compiled; and also to be prepared, upon requisition from the lords commissioners of Her Majesty's treasury, to furnish in like manner such further information respecting the state or proceedings of its banking establishments as their lordships may see fit to call for.

"Eleventh. No by-law of the company shall be repugnant to the conditions of the charter or act of incorporation or the statutes of the province.

"Twelfth. * * * The provisions of charters or acts of incorporation should be confined as far as practicable to the special powers and privileges to be conferred on the company, and the conditions to be observed by the company, and to such general regulations relating to the

nomination and power of the directors, the institution of by-laws, or other proceedings of the company as may be necessary, with a view to public convenience and security.

"Thirteenth. No company shall be allowed to issue promissory notes on demand for an amount greater than its paid-up capital.

Form of return.

Return of the average amount of the liabilities and assets of the Bank of_____during the period from_____to_____.

Promissory notes in circulation not bearing interest	£----------
Bills of exchange in circulation not bearing interest	----------
Bills and notes in circulation bearing interest	----------
Balances due to other banks	----------
Cash deposits not bearing interest	----------
Cash deposits bearing interest	----------
Total average liabilities	----------
Coin and bullion	----------
Landed and other property of the corporation	----------
Government securities	----------
Promissory notes or bills of other banks	----------
Balances due from other banks	----------
Notes and bills discounted or other debts due to the corporation not included under the foregoing heads	----------
Total average assets	----------"

Subject to restrictions of this tenor, to the limitation of the small-note issue to one-fifth the paid-up capital stock, and of directors' discounts to one-third of the total discounts, to the prohibitions of loans to a foreign state, of voting by alien shareholders, or of holding stock of other banks except when taken for bona fide debts, to the injunction to cease discounting during suspension, and finally to the double liability of shareholders in case of failure, the charters of all the Lower Canada banks were continued to 1862. For these corporations the most

radical innovation, of course, was the double liability of shareholders, and next to that, probably, the limitation of note issues to the amount of the paid-up capital stock. The Bank of Montreal was permitted to add £250,000 to its half million of capital and the City Bank £100,000 to its £200,000, while the increase of the Quebec Bank's stock to £225,000, first planned in 1837, was confirmed on condition that the additional shares should be fully paid up by November 1, 1844. Further, a charter was granted to the Bank of the Niagara District at St. Catharines, the capital for this project being fixed at £100,000. All the stock of the new bank was to be subscribed for and half of it paid in before the bank began business. For transgression of the conditions of issue and for the suspension of specie payment for more than sixty days consecutively or through the year, the penalty provided in all of these acts was forfeiture of charter.

The following session, measures were passed again with the purpose of extending till 1862 the charters, and of increasing the stock of the Commercial Bank of the Midland District and of the Bank of Upper Canada. Acts passed with this in view in the same session as those for the Lower Canada banks failed of the royal assent. Each was permitted to call up an additional £300,000 within five years. How limited at this time was the supply of capital for banking enterprise may be judged from the fact that in 1846 the banks procured the extension of the term for paying up the new stock to 1850, while the Bank of the Niagara District, even with the permission it shared with the other Canada West banks to set aside a proportion of "English stock" transferable

in London, never found the capital required to begin business.

Not all of the regulations framed by the British lords of the treasury in 1840, as norms for colonial bank legislation, were adopted by the Canadian committee on banking and currency. The document received from the colonial office carried a prohibition of notes for less than £1 each. This both the committee of 1841 and the legislature they advised had ignored. Working as they were, with an arbitrary money of account, the Canadians had tolerably sound reasons for retaining the dollar notes. The only coins of nearly equivalent value were the Mexican, Spanish, and South American dollars, and those coined in the United States. In practice, Canada was thrown almost altogether upon the Philadelphia Mint for her supply of silver coin. In practice, too, so far as can be judged from examples of the early issues which have been preserved, notes even for £1 currency were so engraved as to have the $4 value considerably the more conspicuous. The pound sterling was ordinarily rated at £1 4s. 4d. currency. The British shilling had long passed for 1s. 3d. currency in Upper Canada; in the lower province it was rated at but 1s. 1d. The important trade relations between Canada and the United States, and the considerable note circulation the Canadian banks enjoyed in communities just beyond their southern borders, made it essential that, in some respects at least, the monetary units of the two countries should be alike. The familiarity of the people with the decimal system and well-nigh every consideration of convenience in business or ease in replenishing stores of specie pointed to the eventual

assimilation of the Canadian currency system to that of the United States. Inasmuch as silver was underrated by the American legislation of 1834, the silver dollar had become worth intrinsically 5s. 1d., Halifax currency. The new eagle, however, had been valued by Canadians at £2 10s. and was the only important coin of any minting rated at even multiples of 5s. There arose in this circumstance, therefore, a further reason for the Canadian circulation of dollar notes.

The imperial government, guided still by the doctrine that the smaller exchanges should be made in coin, were anxious that the colonies should enjoy the benefits of a currency founded on a sound and metallic basis, and avoid the evils of a note circulation of small denominations, which could only subsist by the exclusion of specie. But they forbore to recommend adverse action upon the bank charters on the grounds that the measures had been fully considered by the legislature and governor-general and recommended by both; that a refusal to confirm them might cause embarrassment, and that the legislature had reserved the power of regulating the note issue in the future. When the act to incorporate La Banque des Marchands was presented for the royal assent, in 1846, and the obnoxious provision for a limited issue of dollar notes was found in the act, the colonial office sent the charter back to the governor-general with an energetic renewal of the criticism of 1842, but with a collateral promise that, if the executive council thought a change inexpedient, assent would not be withheld. The Canadians stood by their dollar notes and the charter became effective by proclamation early in 1848, although none of the

privileges accorded by this particular measure was ever used.

While the revival after the crisis of 1837 had been slow in beginning, marked and general improvement in commercial conditions and a lively demand for capital appeared in 1844. The movement took the usual course of an economic expansion, although in Canada the development along speculative lines was carried to no such extremes as in the British railway mania. Still, shrewd observers complained of excessive importations in 1847, and viewed the great increase of staple exports as something most unlikely to endure. Curiously enough, unless the circumstance is to be explained by the dearth of free capital seeking investment and by the difficulty older banks found in obtaining subscription and payment for new shares, there was no widespread agitation for new bank charters. The French partnership *in commendam*, Viger, Dewitt et Cie., was granted a charter, it is true, in 1844, under the style of the Banque du Peuple, and with an authorized capital of £200,000. The act recognized the unlimited liability of the 12 principal partners and the limitation of the liability of the other partners or commanditaires to the amount of their subscriptions. Apart from the Banque du Peuple and the Banque des Merchands already cited, no new bank was authorized until the session of 1847, and this, the District Bank of Quebec, failed to get the money wherewith to start business. In 1847, however, bills passed the legislature permitting additions, £650,000 in all, to the capitals of the Quebec and the City banks and to that of the Bank of Montreal.

The brunt of the crash in England, so far as it affected the North American possessions, fell upon Lower Canada or Canada East, for it was the merchants in Montreal and Quebec whose connection with Britain was the closest, by reason of their dominance in the export trade. Commercial failures in number, a great falling off in overseas shipments of timber, wheat, and produce, heavy reductions of discounts by the banks, and a sharp contraction in their circulation made 1848 a hard year. How severely the banks were affected appears in the losses written off, and the reductions of capital effected shortly after. More than £206,000, most of it in Canada East, was written off capitals and rests in 1848–49, and dividends generally reduced by one-fifth to two-fifths from the rates paid before the crisis. Some of these shrinkages, beyond question, represented part of the losses suffered by Canada at the beginning of Britain's fiscal policy of free trade, and the consequent abolition of preferential advantages in the British customs for Canada's lumber and timber, wheat and flour.

So great was the government's need in 1848, and so hopeless the borrowing of money abroad, that resort was had to the issue of debentures upon the credit of the province. A total issue of £125,000 was authorized, but nothing said as to form, amount, or due dates of the promises. Interest, it was stipulated, should not exceed 6 per cent. The government prepared the debentures as notes of the form and appearance of bank notes for sums as low as $10, made them payable in one year with interest at 6 per cent, and receivable for public dues. A step not contemplated by the act was the reissue of the paper

after it had once been paid into the public chest. For this, the government took indemnity the following year, and at the same time obtained authority for a new issue in debentures for less than £10, payable on demand or after any date, with or without interest. As it happened, the authority thus granted was not used, and the debentures of 1848 soon disappeared from circulation.

For the oppressive sequels of the difficulties of 1847–48, rather an unjust proportion of blame was laid at the doors of the banks. In point of fact, much of the security now offered them was inferior, the banks' resources were more or less crippled, the volume of business legitimately in need of credit had fallen off, and the prices of Canadian exports could not well be expected to rise until recovery from financial and political disturbance across the ocean permitted consumption there to return to something nearer its normal volume. Those most affected by the situation in Canada, however, were disposed to look for explanations nearer to hand, to ascribe their embarrassments to agencies actuated by a will. Hence arose varied complaints of the facilities accorded by the chartered banks; hence there started anew a movement for the provision of banking facilities by the geographical plan, a bank, that is, for each district or for every city and town.

The government of the day included among its members a number of some-time advocates of the Upper Canada scheme of 1835 for a provincial bank; others had favored a general banking law; others yet, among them the finance minister, Francis Hincks, had supported Lord Sydenham's project for the monopolization of the issue privilege by the state. For the time being, the credit of

the province was none too good; neither was the government's command of funds all that could be desired. Finally, across the southern border, the great State of New York had abandoned the plan of chartered banks empowered to issue notes against their general credit, and as early as 1838 turned over to a system of note regulation, under which paper could be issued for circulation only against specially pledged securities lodged with officers of the State.

By dint of various amendments to the original legislation, devised as the defects of that measure appeared from time to time, the free-banking law of New York had become a practicable system of regulation. That under it an economical banking organization was possible, or that it possessed advantages equal to these of other carefully thought-out schemes of banking law, would be less easy offhand to concede and harder still to prove. Neither is it in the least clear that the Canadian government was acting on the precept "like symptoms, like cure." Indeed, the experience prior to 1847 ought to have shown that what the country needed was not more banks, but more capital to be put at the disposal of the banks in the shape of deposits or stock. Furthermore, the strength of the individuals of the Canadian system, their comparatively small number, and the prudent fashion in which they had handled their affairs, no less than the way charters had been granted, left no room for such reproach against these banks as lay against all too many of the chartered or safety-fund banks of New York and the charter mongering through which they obtained their rights.

If they had any, these considerations had no sufficient weight against the prospect of bettering the market for provincial funds, or the possibility that legislation of a new sort would still the popular discontent with the province's banks. The government brought down in June, 1850, their plan for bond-secured notes in "a bill to establish freedom of banking in this province and for other purposes relative to banks and banking," which was avowedly nothing more or less than a copy of the free-banking act of the State of New York. The bill was duly passed by both the assembly and executive council, and in August received the royal assent.

In brief, this law confined the issue of notes intended for circulation to chartered banks or persons thereto authorized by the act. None might be for less than 5s. Individuals, general partners, or joint-stock companies might organize banks. The least capital permitted was £25,000. Any bank formed under the act might have an office in but one place and in but one city, town, or village. Articles of agreement in notarial form, showing the name, place of business, capital stock, number of shares, names, and residences of shareholders, and time when the venture was to begin and end were made the basis of organization. Filing such articles in designated courts of record incorporated the bank and limited the liability of shareholders to double their subscriptions to the stock—to the original subscription, that is, and to an equal amount in addition. As in New York, each bank was required to keep in good faith an office of discount and deposit, to keep on view a list of its shareholders or partners, to make half-yearly returns to the government, and to

submit to government inspection at the discretion of the government. Liabilities in excess of thrice the paid-up stock were forbidden the banks.

Banks thus organized could issue notes only after the deposit with the receiver-general of the province of provincial securities for not less than £25,000 ($100,000) par value, as pledge for the ultimate redemption of the notes. Interest would be paid to the pledgor as it accrued. In return for the bonds, the receiver-general was authorized to turn over to the bank an equal amount of registered notes, printed on paper selected by the government from plates furnished by the bank. Such notes properly signed became notes of the bank, payable in specie on demand at the bank's office. So long as redemption was maintained, the notes of a free bank were receivable for customs and other dues to the government. Chartered banks were permitted to surrender circulation rights and obtain secured notes upon deposit of securities equal in par value to the sum desired. Upon secured notes the province levied no tax. Additional securities might be deposited from time to time, or securities withdrawn, provided the sums so withdrawn were not less than £5,000, and the nominal deposit of £25,000 were not impaired.

Should a bank suspend specie payment and fail to redeem, with interest at 6 per cent, its notes within ten days after the requisition issued by the inspector-general upon receipt of protested paper, that officer was charged with the duty of closing the bank and winding up its affairs, in case no valid excuse was offered for the default. The first step in liquidation was to pay off the notes from the proceeds of pledged securities. Remaining pro-

ceeds were then to be applied to other debts of the bank; but if the securities sold should not fetch enough to meet the notes, other assets were to be applied to the purpose. In other words, note holders were given a prior lien upon all the estate of the issuing bank.

Partly in deference to criticism from Downing Street, the free-bank act was amended the following year by the requirement of monthly instead of half-yearly returns. The obligation to maintain specie reserves at not less than one-third of the notes outstanding, also suggested by the lords of the treasury, was not imposed. Rather than make the imported fashion of banking more difficult, the legislature sought to attract the chartered banks to the plan. An act was passed exempting from half the tax on circulation for the three years next following such banks as would restrict their circulation forthwith to the highest amount shown in their last return, and at the end of three years to three-quarters the average of 1849 and 1850. After the first three years, banks thus restricting their issue were to be exempt altogether from the circulation tax, while during the whole term of the restriction they might issue additional notes to the amount which they might hold of coin, bullion, and debentures of the province. Chartered banks were not required to deposit with the receiver-general securities against which they might elect to issue such notes. There was, to be sure, provision made that in case of failure the proceeds of bonds so held should be used solely for paying the notes, but the fact remained that here was an earnest effort making to extend the circulation of bond-secured notes against which the legislature was providing for no special

deposits of bonds. Two years later (1853) the method of reckoning the tax on circulation was changed so that 1 per cent was collected from the chartered banks upon merely the excess of issue over securities and specie on hand. Chartered banks were also permitted by this act, this time also without special deposit of the securities, to issue their ordinary unsecured notes for so much in excess of their paid-up capital stock as they had of specie, bullion, or debentures of the province on hand.

Unless it were merely a fiscal purpose, the motive of these amendatory measures would be hard to conceive. The concession to the chartered banks certainly involved a complete negation of the security principle of the original law, while the attractions devised to induce larger holdings of debentures were altogether too slight to serve that end. Had the government been determined to force their free banking scheme to general adoption through the province, a much better plan than anything tried would have been to tax the chartered banks out of existence, or to refuse, as the legislature of New York had refused, longer to continue their powers.

As a means to the diffusion of banking facilities the act to establish freedom of banking did not prove a success. The chief beneficiary was the Bank of British North America, whose managers were enabled by this measure to evade, legally enough, the clause in the bank's royal charter prohibiting notes for less than £1. Even three years and a half after the act had become law, in December, 1854, there were but four banks working under its provisions. Of the total bond deposits, £287,125, that of the British Bank stood for £162,125. The three free banks

proper had received notes of a value of £124,499 and had £106,030 outstanding. The largest amount of notes taken out under the act was reported late in 1855, £309,549; after that there was a steady diminution. The free banks first organized, three of them, sought and obtained charters in 1855. After that they retired as fast as might be their issues of bond-secured notes. The only other two companies organized as free banks began in their turn to retire their paper and withdraw securities as early as 1858, and by December, 1861, the free-bank paper other than that of the British Bank in the hands of the public had fallen to $25,440. Not until 1866, however, was the law finally repealed.

The reasons for the failure of this experiment are not far to seek. William Hamilton Merritt, who presented the measure to the assembly in 1850 and believed to the end that it was "the best system adopted in any country from the beginning of the world to the present time," summed the explanation up in certain observations he offered to the legislature in 1859. "Why did not other banking companies seek charters under the free banking act? Simply because they made more money under the old system." This was no more nor less than the truth. Once capital enough to start a free bank was brought together in any community, it was necessary forthwith to send that capital out of the community, in order to buy the bonds required as an initial deposit against notes. The notes came back, to be sure, but barring such small interest as they earned on the bonds, the proprietors were in exactly the same case with respect to the amount of loanable funds at their disposal as they were before.

They were worse off in this, that they were under obligation thenceforward to keep an office for discount and deposit and to be ready at all times to pay in specie all notes presented for payment.

In such circumstances, it would be difficult if not impossible to keep the whole of any one bank's note issue in the hands of the public. Contrast now the position of a chartered bank. Issuing notes against its general credit, it would have the control both of its original capital and of the resources arising from whatever proportion of its authorized note issue it could keep in circulation. Upon both these components of its loan fund it could earn the current local yield of money invested in discounts and whatever additional gain was incidental to banking operations in its territory. The community, on the other hand, would have the advantage not only of the bank's original capital, or whatever part thereof might be lent safely, but also of the resources derived from circulation. The chartered bank was thus the more efficient instrument, whether for the advantage of its proprietors, or for the increase of banking accommodation in the community where it worked. The most significant of any acknowledgment of this principle is probably to be found in the clause of the statutes of the United States which imposes upon the notes of state banks a tax of 10 per cent each time they are paid out.

The failure of bond-secured issues either to further prosperity or to provide the capital needed for the colony's development became obvious early in the history of the act. At the same time need for additional capital was recognized and provision for it urged by those best quali-

fied of any, perhaps, to judge the market position. In 1854, existing chartered banks petitioned for authority to increase their capital stocks. To look for additional capital in Canada was reckoned comparatively hopeless; to obtain it abroad the opportunity for investment would have to be such as was preferred abroad. The English capitalist was unlikely to be attracted to small or private banking ventures, whereas the stocks of the large chartered banks had been known for years as safe investments. Force was lent to this argument by the promptness with which the Bank of Montreal had obtained subscription and partial payment of a quarter million addition to its capital authorized in 1852.

The policy indicated was adopted by the legislature and provision made for increasing the capital of existing banks. Altogether the addition of £2,010,000 was permitted to the stocks of the six banks who applied. In the case of the largest bank the directors' discounts were limited to one-tenth of the whole. Payment of dividends and transfer of shares in Great Britain were permitted in most of the acts, and in every one of them was included a new condition, fulfillment of which was obligatory if the bank increased its stock. In that case, 10 per cent of the whole paid-up capital had to be invested in debentures of the province or of the consolidated municipal loan fund. Although the majority of the charters had some eight years to run, the corporate existence of the banks was continued to January 1, 1870, and the end of the next session of parliament.

Continuation of the established and so far fairly successful scheme of regulation thus decided, the legislature pro-

ceeded in 1855 to pass new charters for three of the companies first started as free banks and to three wholly new ventures, the total capital authorized amounting to £1,450,000. In the next two sessions five additional charters, all to new banks, were passed, authorizing a further increase of £2,466,666 in the banking capital of the province. All in all, the new policy which followed the abandonment of the free banking scheme had permitted in four years the addition of £5,926,000 to the authorized stock of Canadian chartered banks—a sum more than twice their paid-up capital in 1851, and within a few thousand pounds as much as their paid-up capital in 1861.

Few new features of a distinctly restrictive character appeared in any of the new charters passed at this time, or in the acts consolidating the legislation pertaining to some of the older banks, which were obtained in behalf of these corporations in 1856 and 1858. One of the more notable was the requirement of monthly statements of actual instead of half-yearly statements of average condition, which first appeared in the acts of 1854, extending the capital of the older banks. Another innovation was the restriction of directors' discounts or discounts of firms in which they were members to one-twentieth of the bank's total discounts, loans, or advances. For the voting scale customary since 1817 there was substituted, in the new charters, the rule of one vote for each share. In respect of provisions calculated to insure the payment of a good proportion of the subscribed capital the new charters were deficient, so much so that if it wished an unscrupulous board might put out £35,000 in notes, even £110,000, upon scarcely more capital than the £10,000 needed at the

outset for the purchase of provincial debentures. Although the payment of £25,000 upon the subscribed capital was the least amount upon which a bank was nominally permitted to begin business, no way was provided to make certain the sum was in hand. Charters, moreover, were granted in some cases without sufficient inquiry into the antecedent character and responsibility of the petitioners, with results injurious as well to the standing of the Canadian banks generally as to no small groups of wild-cat promoters' dupes.

All this expansion of old banks or rapid multiplication of new ones forms, of course, but one aspect of the tremendous economic advance which the province was making between 1850 and 1856. A rising tide of immigration, great expenditures upon public works, a succession of excellent harvests, high prices for produce, partly as the result of the Crimean war, cheaper freight rates to and from Canadian ports following the repeal of the British navigation laws, the construction of some 1,500 miles of railway between 1852 and 1858, and, finally, the reciprocity treaty of 1854, which opened up the markets of the United States to a trade of highly lucrative returns, combined to lift the province to a pitch of prosperity hitherto unknown. Upon railways and canals alone it was reckoned some $60,000,000 was spent in the six years following 1850, the bulk of the money coming from Britain.

Along with all this—and much of it, indeed most of it, meant sound and lasting progress—there was a deal of the unsound. Importations, as might be expected, rose to extravagant volumes and land to artificial and inflated values. That speculation, originating in a genuine and

justifiable demand for more agricultural land, soon turned into a frenzied trade in wild or unimproved tracts, in which many of the farmers, then selling produce for cash and buying supplies on credit, locked up an undue proportion of their means. City and town holdings also changed hands at prices which a subsequent generation would scarcely credit. To cite an extreme example—it is of record that near one town of Canada West a property which sold in 1854 for $48,000 went begging fifty years later for $8,000.

Following the poor crop of 1857, low grain prices, and heavy reduction of the inflow of British funds, came the financial crisis in Great Britain and the United States. Thrown as they were almost entirely upon capital and circulation for their lending resources, and confronted at this juncture by the prospect of large demands for note redemption, the Canadian banks ceased to discount. They either could not or would not begin again in time to furnish funds wherewith to move the crops. Within the year their circulation had fallen to two-thirds its volume in 1856; discounts, of course, were cut down in corresponding degree. Failure of the usual means for getting the crops to market tied up the milling industry, threw many out of employment, prevented the customary settlement of farmers' debts, and, as a consequence of this, interrupted the normal course of liquidation in all channels of trade. Without their usual advances, divers local industries were forced to run short time or not at all, while throughout the province, but more especially in the western part, many failures occurred and much distress followed the abrupt fall in the land values. The year 1858 was one of deep depression, a

depression from which there was only the beginning of recovery in 1859.

No Canadian bank failed at the height of the crisis of 1857 or immediately thereafter. Most of the banks were apprehensive of trouble early in the year and proceeded as best they might to set their houses in order against the time of collapse. Even if none other were present, a strong motive for caution was provided in the constant pressure on each for the redemption of its notes exerted by practically all the other banks, and the consequent necessity of keeping well supplied with specie. At this juncture, as in many a preceding time of danger, this incidental effect of a competitive issue of circulation against general assets served as the most powerful influence for careful management, the most efficient deterrent from reckless ventures, of any probably, to the action of which the Canadian banks were exposed. Unfortunately the factor was of the greatest force, not in the early and middle but rather in the final stages of an expansion. When, therefore, it did develop its full effect and the banks changed their policy accordingly, a deal of popular complaint, not to say clamor, was provoked by what the critics called the niggardly timidity and selfish indifference of the banks. Discontent with the currency or rather with the way the banks furnished currency, whether or no this discontent was wholly justifiable, together with the exigencies of the provincial treasury, furnished the main promptings for the plans for a different sort of circulating medium which were brought forward in 1860.

That the banks had not come through unscathed was revealed by the losses acknowledged and the appropria-

tions made for bad and doubtful debts in 1858 and 1859. Just to what degree certain of the older companies had become involved in the land and railway ventures did not come out until some years later. Meanwhile enough faith in the country's future remained among some capitalists to prompt applications for the incorporation of yet more banks. The legislature was complaisant, and in 1858 chartered the proprietary of the projected Bank of Canada (afterwards the Canadian Bank of Commerce). Three charters followed in 1859, two more in 1861, one in 1864, three in 1865, and yet two in 1866. The new capital thus authorized was no less than $16,460,000, much more than was actually added for many years to come.[a]

Only seven of the banks ever started. Some of these, like other banks chartered prior to 1858, found it necessary to procure from a lenient parliament an extension of the time first set for forfeiture for nonuser. None of the twelve charters passed 1858–1866 authorized less, in the first instance, than $1,000,000 of capital stock, of which at least $400,000 was to be subscribed and $100,000 paid in (in a number of cases, "actually deposited in specie with some existing chartered bank") before the beginning of business. In three instances the capital first authorized was reduced to $400,000, while in other cases the repeated extensions of time for payment brought about a practical negation of any effort to safeguard the public by insisting

[a] Under legislation which became effective January 1, 1858, Halifax currency ceased altogether to be the official or statutory money of account. Thereafter Canadians reckoned in dollars and cents by law as they had for decades theretofore in fact. The British sovereign was continued as a legal tender for $4.86⅔ and the American eagle coined after 1834 as legal tender for $10

that new ventures should be equipped with a large paid-up stock.

Just as the first signs of rally from the depression of 1858 became evident the provincial minister of finance, ostensibly to obtain the facts upon which to frame the banking policy of the assembly, procured the appointment of a select committee on banking and currency. The new charters of 1859, however, were passed before the house received the committee's report. The interesting part of this document was not so much the report proper, which criticised existing arrangements for insuring the safety of the bank note circulation as the evidence of bank officers, which accompanied it. There the loopholes in charters were frankly and emphatically exposed. One grave defect was the authorization of banking investment beyond the country's needs. Another was the failure to hedge the privilege of circulation with necessary safeguards. Again, no means were provided to insure the full payment of the capital required of a bank, nor was there any obligation to publish the names, holdings, and addresses of the owners of its stock. Limitation of circulation rights to paid-up capital, plus specie and debentures, was illogical and illusory. Coin or bonds could only be bought with capital or deposits. A livelier interest on the part of directors should be incited by requiring of them larger holdings of paid-up stock. Banks were hampered by the usury law; instead of giving warning by raising their discount rates when trouble seemed imminent, they were forced to refuse some applicants altogether and confine accommodation to customers with valuable accounts, or those only of whose solvency there could be no doubt.

It was a mistake to encourage the organization of small banks. Compared to those of larger capital, experience in the United States had shown that the small bank was unstable and unsafe.

Point was lent to this last criticism by the failure, late in October, of the International and Colonial banks, both recently chartered concerns. Nominally, their head offices were in Toronto, but their operations, consisting chiefly of note issue, were mostly in the United States. The Colonial had reported at the end of September, 1859, a note circulation of $75,300 and total liabilities (exclusive of capital) of $99,878; the International, on the same day, $119,021 of notes issued and liabilities of $134,087. No great loss was caused the Canadian public by their collapse, but the scandal and the ease of acquiring dangerous privileges which had led to the scandal, called forth bitter and general complaint. Not until 1863, however, did the legislature finally repeal these two charters, and two others, which had been exploited with similar irresponsibility and intent to defraud. One of them, the Bank of Clifton (previously the Zimmerman Bank), had pretended to redeem or to cash its notes in Chicago; the other, the Bank of Western Canada, owned by a York State tavern keeper, sought to float its issues in Wisconsin, Kansas, and Illinois.

For such evils as were thus revealed, or as the bankers had pointed out to the select committee on banking and currency, the finance minister (then A. T. Galt) devised a remedy all his own. Rather than the improvement of existing bank charters or increased care in the grant of new ones, he invited the assembly in the session of 1860

to consider proposals involving as sharp a break with the past as Lord Sydenham's project of 1841. His plan was "to separate currency from banking;" his purpose, "to put the currency of the country on a perfectly sure and safe footing by separating it from the banking interests and removing it from the possible suspicion of being affected by political exigency." "If the state supplies the credit," argued Mr. Galt, "it is fairly entitled to the profit which arises from its use. The specie resources of the banks are so much capital kept unproductive, and to that extent produce loss of profit. And while the present system lasts it will be necessary that each bank should keep not only a sufficient reserve of specie to protect its own circulation, but to a certain extent that of others. Under the system I propose this necessity will, to a great extent, be obviated, for the whole resources of the country will be pledged for the redemption of the circulation." He proposed to do directly what the free banking system attempted by a side wind—to achieve the benefits of the Sydenham scheme without endowing the bank of issue with the immense political power involved in the right and obligation to discount for ordinary banks.

The first resolution accordingly set forth the proposal that no paper money be issued except on the credit of the province; the second, that such notes of the province be a legal tender and redeemable on demand in specie, that the maximum issue be fixed at $10,000,000, and that the notes be put into circulation by the banks, who should obtain them from the treasury on delivery of one-fifth the amount of the notes in specie, one-fifth in government securities, and three-fifths in a privileged lien

upon their assets, paying the government for the privilege of circulating amounts up to half their paid-up capital stock at the rate of 3 per cent per annum, and for amounts in excess of half their capital at the rate of 4 per cent. Specie and securities so received the treasury department was to hold as a reserve against the notes. Since the average of three years showed the banks to have been carrying $2,422,000 odd of specie and $2,460,000 of debentures, Mr. Galt figured that under his plan close to $1,000,000 of resources would be released for the uses of trade. To meet the seasonal fluctuations (in 1859 the circulation rose from $8,122,000 in May to $11,236,000 in October) the minister suggested that banks be supplied with notes on their monthly rather than yearly averages, and thought that the collection of interest upon balances would induce the banks to give any necessary elasticity to the circulation. Further, he proposed the repeal of the free bank act, of the tax upon the circulation of chartered banks, and of the clauses in their several charters which obliged them to invest a tenth of their paid-up stock in the debentures of the province. Relief from the circulation tax and from the duty to own bonds, however, was to run only in favor of such banks as surrendered their rights to issue their own notes and substituted notes of the province. Banks already chartered and in operation, or new banks which should open for business within two years, were to be confirmed in their issue privileges to the expiry of their charters, but no longer. The treasury department was to be endowed with authority to issue 4 per cent exchequer bills, which would provide a preferred form of short-term investment

and a medium for settling bank balances. In this last proposal the minister touched upon what was counted by some critics a serious defect in the existing banking organization—the customarily rigid insistence upon specie settlements at places where two or more banks had offices. It had been proposed in Toronto, nearly three years before, to square the monthly settlement by sterling exchange instead of specie, but the Montreal banks refused adherence to the plan.

None of the chartered banks showed any eagerness to exchange a franchise to issue at no cost beyond the cost of printing notes for a right which would cost them 3 per cent on three-fifths of the notes taken out and the current rates upon the specie or the cash paid for debentures with which they were to pay for the other two-fifths. Condemned by the banks as a currency fatally inelastic for a country in which the autumn maximum reached 140 and even 150 per cent of the spring time minimum of circulation, suspected by the people as capable of exploitation for dangerous political abuse, and criticized by the commercial community as substituting a dear currency for one which was ideally cheap, issues by a treasury department found scant approval in the legislature. Less than two months after the introduction of the resolutions the government withdrew them. In the next session a proposal introduced by the minister to borrow on exchequer bills in the sum of $4,000,000 was passed. But it was not until 1866, after Mr. Galt's party had lost and recovered its majority in parliament, and the Canadian treasury was come into yet sorer straits, that the bank of issue scheme, much modified, was given

standing in the statutes as the provincial note act, the forerunner of the legislation subsequently to govern the issue of the present Dominion notes.

Something over $5,000,000 was the sum immediately needed in 1866 to meet the floating debt of the province. Of this, $2,250,000 was owing to one bank and that bank was pressing for payment. Balances in arrears had been renewed so often in England that the credit of the province had suffered. English bankers were having extreme difficulty in selling Canadian government debentures to yield even 8 per cent. Mr. Galt, finding the banks of the province unwilling to advance the government a sum equal to 15 per cent of their capital, proposed that the government should "resume a portion of the rights which they had deputed to others, and meet the liabilities of the country with the currency which belonged to it." What basis, either in law or in fact, there may have been for this express assumption that the function of issue was a prerogative of the Crown it is needless to inquire. The resolutions declaring the expediency of an issue of legal-tender paper, which the government brought down, proposed no cancellation of existing issue privileges; whatever the banks might give up in furtherance of the scheme, they were to give up of their free will. Before the measure had been carried through all stages of consideration in the lower house it encountered so much criticism in point both of principle and detail that the ministry took alternative authority to borrow $5,000,000 on direct loan, and agreed not to use the power of issue if funds could be obtained otherwise.

The act finally passed authorized the issue of not more than $8,000,000 in provincial notes, payable on demand

in specie, either at Toronto or at Montreal as the notes might be dated, and legal tender except at those offices. Arrangements for the surrender of its right to issue its own notes might be concluded by the governor-in-council with any chartered bank prior to January 1, 1868, such bank, however, retaining the right to resume its issue privileges upon three months' notice. To any bank so surrendering its issue and withdrawing its notes from circulation within a year, compensation would be payable till the expiry of its charter, at a rate not to exceed 5 per cent per annum upon the amount of its circulation on April 30, 1866. For the service of issue and redemption, one-quarter of 1 per cent was to be paid every three months to each bank circulating provincial paper instead of its own, the commission to be reckoned on the average amount outstanding of the notes so issued by the bank. Banks relinquishing issue privileges were further exempted from the obligation to hold a tenth of their paid-up capital in provincial debentures, and were permitted to exchange such debentures at par for provincial notes. Likewise, having surrendered their own circulation, they were to escape all further outlays for circulation tax.

As a reserve against the legal tenders, the receiver-general was commanded to hold 20 per cent in specie for the amount in circulation up to $5,000,000, and against amounts in excess of that sum 25 per cent in specie. Cover of provincial debentures to the full amount was required for the difference between specie reserves and notes outstanding. In all but what concerned the issue of notes for $1 and $2 by the British Bank, the act to establish freedom of banking was repealed. Further,

banks were relieved from the traditional penalties for usury retained by inadvertence or intent in the legislation by which they had been permitted to take up to 7 per cent, and to exact certain specified commissions in discounting paper, payable at offices other than the place of discount.

But one bank proved willing temporarily to surrender its rights of issue and undertake the circulation of provincial notes. That was the Bank of Montreal. For the time being, it would seem, the provincial note issue was the Bank of Montreal's favorite scheme. In actual operation, the first effect of the measure, so far as this particular bank was concerned, was to liquidate what had been a distinctly inactive asset. The funds the bank had locked up in the loan to the province, equally with its investment in debentures, were converted into provincial notes available for use in any kind of exchange. In the second place, the bank was not out of pocket by the shift, for upon such paper it drew compensation and commission of 6 per cent from the government, and could still use the notes as it pleased in making loans. The maintenance of reserves and waiver of the circulation tax made the advance cost the province, however, somewhere between 8 and 8½ per cent.

So far as the other banks and the country were concerned the effects were less simple, although it is not clear that the new issue caused any serious or widespread harm. Unquestionably the other banks found cause to acknowledge the power of the one institution which had the government account and had undertaken the issue of government notes. A number were induced regularly

to hold from $50,000 to $200,000 each, under an arrangement that practically precluded the use of the notes as ready cash. The adherence of others to a like arrangement was gained by the decision of the Bank of Montreal to demand settlement in cash at different points outside the centers, rather than to continue the practice of settling by drafts on Montreal or Toronto. At such points the other banks would thus be obliged to pay in specie; the Bank of Montreal, which was generally a creditor in these settlements, could pay when it had to pay in gold or legal tenders. Confronted by the option of scattering their reserves to all the points where they met the Bank of Montreal, and by the same token of considerably increasing their specie holdings, demurring banks generally agreed to keep a quantity of the legal tenders continually on hand. About $1,000,000 of the notes were thus kept permanently outstanding. Altogether the average circulation of legal tender paper the first year of its issue was a little over $3,000,000, or about what was outstanding of the Bank of Montreal's own notes in the spring of 1866. Some part, about $1,000,000, of the treasury needs had been obtained by direct loan.

Such pressure as was used to inject a proportion of the notes into banking reserves, no less than the device of paying out in Montreal notes redeemable in Toronto, Toronto notes dated at Montreal, provoked considerable criticism. Along with certain incidents preceding the financial disturbance in which the Commercial Bank suspended payment, they furnished the material for a bitter and violent controversy, in the course of which the provincial note act, the Bank of Montreal, and the minister

of finance were all roundly condemned. It is unnecessary here to consider how much truth there may have been in testimony so obviously and so strongly colored by the passions of the time. The only permanently evil effect of the government issue, if that be an evil, has been the diminution of the country's specie reserve, brought about under the legislation which created the issue and subsequently increased its volume. Even before 1870 the mere consideration of convenience led a number of banks to effect a decided increase in their reserve holdings of legal tender notes.

The year 1866 was marked by the definitive failure of the Bank of Upper Canada, the old upper province's first chartered bank. Considering the forty-four years the corporation had been carrying on its business and the preeminence it had once enjoyed in the communities it served, its bankruptcy caused singularly little concern. But evidence of coming trouble had been abundant for some years before; indeed, since 1862 the bank's operations had consisted of little more than quiet liquidation with open doors. The immediate interest of the provincial government in the bank through the ownership of shares had ceased, of course, with the sale of those shares in 1840, but the prestige and dignity of a government connection persisted through more than twenty years. In 1850, moreover, the bank had managed anew to obtain the government account. The exclusive mark of confidence thus conferred probably served somewhat to exalt divers grandiose notions the management already entertained concerning their institution's policy, position, and strength. To the economic development of the western

province which marked the early fifties, the extension of railways, to the increase of municipal indebtedness, to the expansion of milling properties, and, as appeared in the end, to the speculation in unimproved lands, the bank found both duty discharged and profit gained in lending ready aid. Lawyers, legislators, the gentry and professions, civil servants and politicians properly connected or properly introduced, were suffered participation in the banks' loan favors on the strength of mere accommodation paper, or on the ultimate and none too remote security of inflated real estate. Down to 1858, however, the bank had paid good dividends, although in calling up capital it had made repeatedly the mistake of distributing the premiums received on new as bonuses to holders of old stock. Considering the volume and character of their business, the management had consistently failed to build up an adequate surplus or rest.

With the great increase of railways in Canada West there came a shift of the routes of trade, no less than of the centers of the milling and lumber industry which made recovery from the crisis of 1857 slower in the older country, where the bank had long been established, than in the newer districts. The bank was sorely hit by the commercial failures of 1858; at the same time it found itself obliged to take possession of much depreciated real estate. One in particular of the larger transactions with railway obligations turned out badly to the tune of nearly half a million dollars. The sum of $220,000 was appropriated for bad debts in 1858, one of $400,000 in 1859, and $294,000 in 1860. The bank was in such position that the government could not consider avail-

able their credit balance, then considerably in excess of $1,000,000. In 1861 a new manager was given charge of the bank. Upon his recommendation to the shareholders, a million and a quarter of bad debts still awaiting provision after the appropriation of all the rest, authority was obtained from parliament in 1862 to reduce the par value of the shares from $50 to $30, the paid-up stock from $3,186,000 to something more than $1,900,000.

The results of an official investigation of the finance department begun in 1862, determined the government of the day, then lately come into power, to shift the bank account of the province to the Bank of Montreal. The debt of the Bank of Upper Canada to the province by way of deposits was fixed at $1,150,000 and transferred to a special account. The disclosures of the report and the further loss of standing caused by the transfer of the government account made the task of rehabilitating the bank hopeless. The dividend was passed in 1864 and 1865 and a steady, significant falling off appeared in the bank's return of circulation, deposits, and discounts. Authority for a further reduction of the stock to $1,000,000 was obtained in August the following year, but before action could be taken upon this the bank was obliged to close its doors September 18, 1866.

When the estate was transferred to trustees in November the notes in circulation were reported at $722,000; balances due other banks, $299,000; deposits by the public, $395,000, and deposits of the government, $1,149,000. Specie had fallen to $42,000, but the landed and other property of the bank amounted to $1,673,000; securities, $17,000; bills and judgments, $2,225,000;

bonds and mortgages, $97,000. Liquidation of the estate was slow; for some obscure reason—ostensibly, to be sure, because it was thought necessary first to realize the assets—the double liability of the shareholders was not promptly enforced (in fact, it was never enforced); no creditor was paid in full; claims against the bank had to be or were taken at face value in settlement of debts due to it; the administration of trustees cost large sums; there was further depreciation in the real estate and doubtful debts. In 1870 the whole property was turned over to the Crown. The Crown redeemed liabilities at 75 cents on the dollar, but forbore to insist upon the Crown priority. In the end about $1,000,000 of the sum due the province in 1866 proved a total loss. Apart from interest or from discounts suffered in realization upon claims before the liquidators were ready to pay, creditors of the bank among the Canadian public (exclusive of the government) lost rather more than $300,000; the shareholders, all the stake they had in the bank.

One other of the Upper Canada banks, the Commercial Bank of Canada, first known as the Commercial Bank of the Midland District, failed in 1867. It had helped and to some extent had shared in the speculative movement prior to 1857, but when the crash came it was nowhere near so badly involved as the Bank of Upper Canada, and rallied quickly from the losses then suffered. Shortly after 1857, however, when the bank took over the account of the Great Western Railway from its old rival, it opened extensive cash credits toward the operation and construction of the Detroit and Milwaukee Railway,

supposedly on the faith of £250,000 granted to this enterprise by the Great Western. The Great Western subsequently repudiated responsibility, and in 1862 the bank brought suit for considerably more than a million. No settlement was obtained until the fall of 1866, when $1,770,000 Detroit and Milwaukee 7 per cent bonds were turned over to the bank. Instead of realizing upon these quickly, the bank waited and thus prolonged its lockup. Blind popular faith in banks had been shaken by the Upper Canada failure, and a proposal at the meeting in June, 1867, to reduce the capital stock by 25 per cent started a quiet but persistent withdrawal of the Commercial Bank's deposits. Help was had from another bank in September to the extent of $300,000. A joint advance of $750,000 was asked of its colleagues on October 21, with the idea that half this sum for four and half for six months would enable the bank to pull through. At a meeting held to consider this request, the banks could not agree as to the conditions of allotment and guaranty. The government were under pledge to extend no help without their bankers' consent, and on the morning of October 22 the Commercial Bank stopped payment. The company was really solvent at that time, but lacked ready cash. In a little more than two months note and deposit liability of $2,786,000 out of total liabilities on this score of $4,657,000 was paid in full. Seven months after the failure the shareholders ratified the contract by which the Merchants' Bank of Canada acquired their property, paying therefor at the rate of one share of Merchants' stock for every three of the Commercial Bank.

In the twenty-six years between July 1, 1841, and July 1, 1867, the number of banks working under the laws of the Province of Canada was increased from 9 to 19; their capital paid up, including the capital of the British Bank employed in the Canadas, from $9,106,548, or its equivalence in currency, to $27,618,440. A total note circulation (exclusive of the provincial notes issued by one bank) of $8,312,386 was reported in 1867 as against one of $3,676,180 in 1841. Deposits not bearing interest and sums not otherwise specified due by the banks had grown from $3,145,872 to $13,938,447, deposits bearing interest from $219,432 to $14,765,879. Of the banks working under colonial charters in 1841 but one had a capital greater than $800,000; in 1867 there was one with $6,000,000 paid up; another with $1,999,100; a third with $1,600,000, and two others with $1,200,000 or more. Excepting the largest bank, the four newest and smallest, and the Commercial Bank, then soon to fail, the average paid up capital of the 13 companies reporting was $1,257,830. Deposits, which in 1841 were but 37 per cent of capital, had increased to slightly over 100 per cent of capital. In respect of circulation the change was in a contrary direction. The precise position is obscured in any return of the quarter century by the peculiarity of the practice or condition of the British Bank. Its note issue was regularly small compared to its capital stock. Banks acting under colonial charters generally showed a considerable reduction in the proportion of circulation either to capital or to total liabilities between 1841 and 1867. A summarized statement of the condition of the banks at ten-year intervals and for 1867 is printed in the table herewith:

Statement of chartered banks in the Province of Canada.

LIABILITIES.

	[a] 1841.	[b] 1851.	[c] 1861.	[d] 1867.
Number of banks in operation	9	8	16	19
Capital stock authorized by act	----------	----------	$35,266,666	$37,466,666
Capital stock paid up	£2,276,637	[e] £2,897,619	[c] 24,410,796	[e] 27,618,440
Promissory notes in circulation not bearing interest	919,045	1,623,435	11,780,364	8,312,386
Balances due to other banks	340,771	271,621	444,120	2,771,925
Dividends unpaid	21,025	933	----------	----------
Net profits or contingent fund	146,410	59,845	----------	----------
Cash deposits not bearing interest, and all sums not otherwise specified due by the banks	786,468	1,126,305	9,175,957	13,938,447
Cash deposits bearing interest	54,858	565,326	9,545,341	14,765,879
Total liabilities other than stock	2,268,577	3,741,757	30,945,341	39,788,638

ASSETS.

Coin, bullion, and provincial notes [f]	£392,540	£413,422	$4,960,439	$7,384,197
Landed or other property of the bank	46,101	135,313	1,429,324	1,510,572
Government securities	24,661	43,825	2,735,956	6,142,573
Promissory notes or bills of other banks	148,342	144,375	1,136,153	1,651,772
Balances due from other banks and foreign agencies	203,586	218,501	4,157,286	5,068,635
Notes and bills discounted	3,282,150	5,573,983	39,588,842	48,158,431
Other debts due to the bank not included under foregoing heads	----------	----------	4,064,389	2,297,414
Total assets	4,094,068	6,529,769	58,072,391	72,213,597

[a] Journal, Can., 1841, Appendix O.
[b] Journal, Can., 1851, Appendix I, No. 1 to 8 inclusive.
[c] The Canada Gazette, Vol. XX, p. 1736.
[d] The Canada Gazette, Vol. XXVI, p. 2245.
[e] This includes £620,000 sterling, being the capital allotted by the Bank of British North America to its Canadian branches.
[f] "Provincial notes" occurs only in the statement for 1867.

Taken all in all, the twenty-six years under the union form a period of marked advance by the Canadian banks along the lines they were subsequently to follow in point of increased stability, greater versatility, and more thorough diversification of risks. Much, perhaps most of the the improvement was by way of internal organization, the multiplication of branch offices, the standardization of practice, and the elimination of methods and of business not now accounted commercial banking in the best sense of the term. Two world-wide and more or less disastrous financial and speculative upheavals had been weathered by the banks without suspension of payment, and indeed without failures whatsoever at the time stringency was most acute. Neither the collapse of the Bank of Upper Canada nor that of the Commercial Bank can be explained as ultimately due to anything but circumstances and proceedings, mistakes and misapprehensions, peculiar to the institutions directly involved. For contemporary critics, to be sure, both banks served as dire examples of the evils brought about by the existing system of bank regulation, and as pointed argument for revolutionary change. But the complaints of some such observers, certainly, were too often tinged by sympathy for the unfortunate holders of failed banks' shares. It is much to be doubted whether in the twenty-six years under review the public creditors of the Canadian banks lost half a million dollars all told.

Down to 1867 the deposit function was still of higher importance only in the cities and to the banks which served the wholesale, manufacturing, and financial communities in which cheques were used as means of pay-

ment. Some growth of deposits came about in the rural districts after 1854 or 1855 when an increase of housebreaking in the country induced farmers somewhat to depart from their habit of hoarding notes. But in the western part of the province, where wheat and flour, timber and wool had to be moved each year, where the produce buyer, then as now, needed to pay for produce in cash, the note circulation was of predominant consequence. All kinds of business slackened considerably in the winter when the water routes of transportation were closed; many kinds of trade were much more active in September and October than at other seasons of the year. Hence a wide and regular expansion of the note issues in the autumn to the highest volume of the twelvemonth; hence a rapid contraction in the early winter which persisted until the low point was reached again in May. Increased provision for borrowers' needs was furnished by the banks without other cost than paying out notes. There was no occasion to import coin or other valuable money from without the district where the augmented demand for credit appeared; no necessity to call up additional capital to supply a demand for loans which endured but fourth, a third, or at most but half of a year. It was a cheap currency, this issue against general assets; but without the profits of issue, borrowers in the western country would have had to pay more for their credits, or, in many cases, to contrive to manage in their neighborhood without a bank. It was a currency of wide and comparatively rapid fluctuations in volume, as the lords of the British treasury had remarked from time to time with every sign of concern. But in an economy

such as the Province of Canada then had, or as the Dominion has to-day, a fluctuating currency is precisely what the country wants.

The filling up of the Mississippi Valley and the growth of population in New York, the increase of export and import trade with Great Britain which marked the fifties, the influx of foreign capital into the colony, the reciprocity treaty with the United States, these were all productive of a much larger business in exchange than any which had previously engaged the attention of the Canadian banks. Prior to the suspension of specie payments in the States, following the outbreak of civil war, the Canadian banks enjoyed a considerable circulation south of the frontier. In the earliest sixties they participated, in no small way, in moving the American crops. A number of the larger banks, through agents at first, afterwards by direct representation, traded in specie and exchange in New York, where two of them became leaders in the market for gold and sterling bills. In Canada itself, moreover, there had already begun that connection with railway enterprise, municipal borrowings, and extensive joint-stock projects—not always felicitous beginnings, to be sure—which later was to constitute the more or less typical Canadian corporation of this sort, a financial as well as a commercial bank.

IV.—The First Bank Act of the Dominion.

Under the British North America act passed by the Imperial Parliament in 1867, and the confederation of the Provinces of Canada, Nova Scotia, and New Brunswick, which this measure brought about, the parliament of the new Dominion was given exclusive authority in all matters pertaining to currency and coinage, banking, the incorporation of banks and of the issue of paper money, savings banks, bills of exchange and promissory notes, interest and legal tender. Subject to this jurisdiction, directly the act came into force, therefore, were the 18 banks chartered by Canada (thereafter divided into Ontario and Quebec), 5 by Nova Scotia, 4 by New Brunswick, and 1 working in all the colonies under royal charter, but obligated to accept such general regulations as the Dominion might impose. The banking legislation of the maritime provinces, though often different in phrase and sometimes in detail from that of Canada, was based upon substantially identical principles. The chief contrasts between Nova Scotia and New Brunswick banks on the one side, and those of Canada on the other, lay in the small capitals of the maritime province banks, and in their tendency to confine their operations to restricted fields. The total paid-up capital at the moment of confederation, including the bank with the royal charter among those of Ontario and Quebec, was for these two provinces, $29,467,773; for

Nova Scotia, $1,552,389; for New Brunswick, $1,480,000; for the whole Dominion, $32,499,162. Granted prior to confederation and not yet used, but not yet forfeited for nonuser, were 3 charters passed by the Province of Canada, 2 by Nova Scotia, and 5 by New Brunswick. Of the banks already in operation, 17 charters were to expire by July 1, 1871.

In the first session of the new parliament little was done by way of general legislation affecting banks. True, the eleventh chapter of the first volume of Dominion Statutes is an "Act respecting Banks" (31 Vict., c. 11), but it merely extended the powers of banks previously incorporated by any of the provinces to the Dominion, subjected the banks of Nova Scotia and New Brunswick to the circulation tax, and reenacted for the whole country such general legislation in respect of banks as was then on the books of the Province of Canada. One of the more important of these paragraphs empowered banks to hold and dispose of mortgages taken as additional security for debts contracted in the usual course of their business, to purchase and to hold lands thus mortgaged to them, to bid in lands auctioned at their suit, and acquire absolute title therein, to act on power of sale, and the like. Other sections dealt with loans upon warehouse receipts, bills of lading, and the like, taken as security at the time of negotiating the loan, and the prior lien accorded to the lending bank against the unpaid vendor of the commodities involved. The banks generally were exempted from penalties for usury, though not permitted to recover at law a higher rate than 7 per cent, and were specifically permitted collection and agency charges not to exceed

one-half of 1 per cent upon notes payable at places other than that at which the loan was made.

In 1868, again, a further extension of the laws of the Province of Canada was undertaken in a measure which declared the provincial notes of 1866 to be Dominion notes for which the Dominion alone was responsible, and continued the provisions first enacted in respect of this issue. Authority was also given for the establishment of branches of the receiver-general's department in Montreal, Toronto, Halifax, and St. John for the issue and redemption of the Dominion notes. Until the unification of the currencies, notes payable in Halifax were to be issued at the rate of $5 the pound sterling, and to be legal tender only in Nova Scotia (31 Vict., c. 46). The last of the preliminary legislation extended the charters of 11 of the Province of Canada banks to the end of the first session of parliament after January 1, 1870. (32-33 Vict., c. 49.)

For what he had done or had omitted to do in connection with the provincial note issue and the failure of the Commercial Bank, A. T. Galt, the first finance minister of the new Dominion, received a deal of blame. He felt that public opinion held him responsible to some extent for the losses suffered by investors in consequence of that failure. His usefulness being thus marred, he resigned from the ministry early in November, 1867. Under his successor, John Rose, reports upon the banking system of the country were presented by select committees both of the Senate and of the House. That of the Senate committee condemned the provincial note act in set terms and recommended a return to the conditions obtaining prior to 1866. The committee were further of the opinion,

however, that if the government were determined by some new system somehow to take possession of the currency of the country, such a change, which the committee strongly deprecated, should be in the direction of a paper currency based on Dominion securities, but immediately redeemable on demand, like the national-bank notes of the United States.

The first report of the house committee submitted to the Commons in the session of 1868–9, consisted merely of the answers to a series of questions drawn up with the evident view of eliciting evidence favorable to the introduction of bond-secured bank notes. Among these queries, for example, was one concerning the expediency of issuing government paper; another related to the practicability and advantage of introducing a system of banks issuing currency based on deposits of government securities analogous to the American system. Notwithstanding the manifest bias of the committee the inquiry was given a wide scope, some of the questions calling for comment upon the past services of existing banks and their present practice and business; others still for discussion of the defects of the system and the means of improving it. Twenty-two sets of answers appeared in the report, 11 of them from the principal executives of chartered banks.

The weight of the evidence thus collected was against the issue of a government currency and against the issue of bank notes upon special security. Four main objections were offered to the American plan of protecting holders of bank notes; first, the reduction of the loan fund involved in the purchase of the necessary bonds; second, the tendency under such a plan to permit and even to

encourage the organization of small local banks with a consequent lessening of the stability of the banking system; third, the lack of elasticity of bond-secured issues, the deficient force of the motives acting upon the issuers either to expand or to contract the circulation in full and automatic accord with the needs of trade; and fourth, the probability that, with only a comparatively expensive currency available for agricultural loans, such credits would be reduced, and numbers of offices in the country districts closed up.

Certain objections to the existing system turned upon the lack of any requirement to hold a minimum fixed proportion of cash against liabilities on notes and deposits; others, again, upon the failure of the traditional scheme of regulation to conform to theories derived from the doctrine that the right to furnish currency is originally a right of the State, or the faith sometimes based upon this doctrine that money may be and ought to be made by the fiat of the State. The valuable constructive criticism, however, consisted chiefly of these suggestions of particulars in which bank charters might be improved:

"(*a*) To establish a minimum capital to be required from newly chartered banks, and to limit the number of branches in proportion to the paid-up capital stock.

"(*b*) To prevent the beginning of business until a certain part of the capital stock is paid up, held in specie, and the fact certified to by a government officer.

"(*c*) To make the double liability available in case of need within a reasonable period, by assessment of shareholders for the deficiency at the end of, say, six months after suspension, and by provision that the subsequent

proceeds form the dividend of the shareholders, rather than the creditors.

"(*d*) To make transfers within three months of the suspension, and at any time thereafter, void.

"(*e*) To require such statements of accounts as would check illegitimate operations.

"(*f*) To prohibit any but moderate dividends till a reserve fund should be accumulated, such to be made good if impaired.

"(*g*) To make circulation a first charge upon the assets of an insolvent bank.

"(*h*) To prohibit the issue of notes for less than $4.

"(*i*) To require a certain proportion of demand liabilities to be held in specie, say, 20 per cent.

"(*j*) To limit the circulation to paid-up capital stock and government securities, and provide that any excess should be covered by specie in hand over and above the amount required to fulfill the previous recommendations.

"(*k*) To require each half year the publication of a certified list of the shareholders.

"(*l*) To prohibit the reduction of capital stock, and to compel the stockholders to make good the capital if it should be impaired."

What the new minister of finance offered Parliament in the way of a banking policy was rather a ready-made scheme than a project founded upon the recommendations of the experts who testified to the committee of the house. The resolutions presented to the Commons in May, 1869, called for the reconstruction of Dominion bank legislation upon the model of the "national bank act" of the United States. In substance it was identically the proposal put

forward by E. H. King, the general manager, and approved by the board of the Bank of Montreal in November, 1867. In the memorandum describing his plans this officer had declared the belief "that the interests of the country will be best served by the diffusion of banking interests in different localities, leaving to the greater banks, in large measure, the care of the mercantile and foreign trade of the country, and to the lesser, in their own districts, the care and support of local enterprise." Then followed the plan to deprive the banks of the power of the issue against their general credit, to permit the issue only of notes prepared by the Government and turned over to the banks only on deposit of equivalent amounts of bonds; to permit the foundation in each county of a local bank with small capital, and to provide for recurring needs for expansion of the currency by requiring maximum deposits of bonds as note security, and by periodically moving the currency from east to west as in the United States. Among the bankers of the time, responsibility for the preparation of the government's project was commonly imputed, probably with ample basis of fact, not to John Rose, the minister of finance, but to the chief executive of the government's bankers and fiscal agents, E. H. King.

Apart from the limitation of issue to notes secured by pledge of Dominion securities with the government, and the provision that no bank should issue in excess of its paid-up capital stock, the resolutions carried the proposals, first, that so long as they were redeemed in specie, such notes should be a legal tender throughout the country except at the office of the issuing bank and at a

redemption agency to be established in Montreal or in the capital city of the province in which the bank was situate; second, that banks should maintain reserves of specie equal to one-fifth their note issue and one-seventh of their deposits at call; and, third, that notes should be the first charge upon the estate of a failed bank; deposits at call, not bearing interest, the second charge. Further proposals concerned the continuance of sundry safeguards already in force or the adoption of others suggested by bankers whose testimony was before the House. If approved the plan was not to go into effect until July 1, 1871.

In the speech with which he brought the resolutions down, the minister put most stress upon the duty of the Government "to see that the circulation which the public at large is bound to take should be placed on as sound and uniform a basis as possible." "It is of essential importance to the interests of the country," he argued, "that the circulating medium be placed on a sound and uniform basis." There, undoubtedly, the minister touched upon one of the weak points of the note circulation as it then was. Notes were not of uniform value the country through. A note was payable, under the law, only at the place or office where it was dated. One branch sometimes accepted in payment the notes of another branch of the same bank, but merely as a matter of courtesy, not as of right. Bank notes circulating in districts at all remote from the place of date and issue were subject to a discount. As a rule Montreal notes would pass at par in Toronto, but that was because the exchange was in favor of the eastern city. Toronto notes would not

ordinarily be worth their face in Montreal. Furthermore, the course of the paper involved by the two most recent bank failures had shown that, quite apart from questions of ultimate security, the immediate redemption of bank notes in all circumstances was not yet fully assured.

But whatever the defects of the existing system, it soon became clear that the community was too well content with sundry patent advantages peculiar to banks of the Canadian type, lightly or willingly to suffer a revolutionary change. The appearance of the resolutions precipitated a storm of criticism, objection, and protest. Indeed, already in April, the banks of Ontario and Quebec had adopted resolutions against any fundamental changes in the system, and for the preservation of the note circulation as it was. Naturally neither the Bank of Montreal nor the Bank of British North America, both of whose chief executives favored bond-secured issues, subscribed to these resolutions. Halifax banks declared the existing system was satisfactory and that change was neither asked for nor desired. Over 70 petitions "that the circulation of the banks be preserved on substantially the present basis" or that "no changes of a fundamental character be made in the present system of banking," petitions from boards of trade and the leading towns and cities, as well as from 10 of the banks, were presented to the Commons in the spring of 1869.

Opposition of a determined and significant character also developed in the House itself. The expansion of the note issue each fall was effected mostly in Ontario, and in Ontario's behalf. Ontario was in no wise ready forthwith to share the profits of crop moving with the east, or to

conduct that operation with less expedition or greater expense. It was felt, too, that the province needed all the resources of credit already at its command. Even if the change to specially-secured notes was to be gradual and requirement of a fixed reserve in specie delayed until 1871, it was asserted, with every show of reason, that rising eight millions would be needed to pút the banks in as good case as under issue against their general credit. That sacrifice would be independent of the loss of cheap till money, and of the possibility of maintaining country branches at low cost, which would follow the shift to issue against deposits of bonds.

Only one day's debate, that of June 1, 1869, was devoted to the resolutions in the House of Commons. Pronounced hostility to the proposals was shown not only by the Opposition but by Ontario members generally, and by some of the staunchest supporters of the government. It was known that the Senate was even less likely than the Commons to favor this scheme. On June 2, the resolutions were considered by the Cabinet, with what degree of unanimity was not disclosed. The project lost rather than gained in favor the following fortnight. On June 15, the finance minister announced that the government was willing temporarily to withdraw the proposals but would bring them before the House for consideration the following session. But before the following session was opened the Hon. John Rose, believing that the rejection of his banking policy was definitive, gave up his portfolio. With his withdrawal from the ministry there vanished any immediate prospect that the banking

system of the country would be recast upon American lines.

Sir Francis Hincks, for fifteen years in the British colonial service, and but then lately returned to Canada, succeeded Mr. Rose as minister of finance. Whatever the preconceptions or preferences of the new minister in respect of banking or currency, he seems to have set to work to form new conclusions concerning current needs upon the basis of the facts at hand. After numerous conferences with bankers, merchants, and publicists, and after careful study of existing legislation, Sir Francis formulated measures which, though intended to put the banking of the country upon a safe and stable basis, yet introduced no radical departure from the system to which the Dominion was used. The proposed legislation was brought before Parliament early in the session of 1870.

In presenting his proposals to the House, the minister pointed out that sufficient need for a uniform and general banking law applicable to the whole Dominion was indicated as well by the number of charters about to expire as by the application for new ones already presented. Further, recent experience showed that the holders of bank notes should be given greater security. Used as the people were, however, to advances of credit in the form of notes, it was inexpedient to force the cover of the currency by deposit of government securities, and cause such advances to be reduced or withdrawn. Public opinion, finally, was against the establishment of a bank of issue such as had been proposed some thirty years before.

The main purposes of the bill submitted by the minister and with slight changes of detail accepted by the House, may be summed up thus (33 Vict., c. XI):

First. To require the security of a large paid-up capital. It was first proposed to insist upon $1,000,000 authorized stock, all to be paid up within five years, but in deference to the needs of the maritime provinces, the minimum authorized capital was cut to $500,000, with $200,000 paid in before the beginning of business and 20 per cent each year thereafter. Certification of the fact of the first payment was required from the treasury board.

Second. To restrict the circulation of the banks to notes of $4 and upward. What the banks gave up here they gained in exemption from the circulation tax and from the obligation to invest a tenth of their paid-up stock in government securities. The government, on their side, wanted the room made by the retirement of small bank issues for the circulation of $1 and $2 Dominion notes.

Third. To oblige every bank to receive its own notes in payment at any of its offices, and thereby somewhat to reduce the discount upon notes circulating remote from their place of date. Notes were to be payable, however, only where they were expressly made payable, one of which places was always to be the principal office of the bank.

Fourth. To extend the circulation, or rather the amount outstanding, of Dominion notes by obliging each bank to hold usually half and not less than one-third of its cash reserve in Dominion notes. In so far as such notes held by the banks were not covered by specie, this provision

had all the air of a forced loan. The minister did not deny that the step was one of fiscal expediency rather than bank reform. At the same time the complaints of the Opposition that the proposal unduly diminished the country's gold reserve, that it involved the borrowing of a large sum practically at call, and that it was of objectionable morality in a political sense, were calmly waved aside. Sir Francis felt obliged "to contend in the interests of the public at large that they were entitled to some share in the profits of the circulation."

Fifth. To prohibit loans by a bank on its own stock, saving its lien upon the shares and unpaid dividends of its debtors on overdue debts.

Sixth. To prevent the impairment of paid-up capital by undue division of profits. Directors concurring in such impairment were to be individually liable as for debts due the bank. With the intent to forestall applications for reductions on account of losses, it was further provided that capital lost should be made up forthwith by calls upon the unpaid portions of shareholders' subscriptions and by the application of all net profits.

Seventh. To keep dividends within bounds until the bank should accumulate a rest or reserve fund. Taking a lesson from the extravagant policy of the Bank of Upper Canada, Parliament forbade dividend or bonus in excess of 8 per cent per annum until the rest or surplus of a bank, after deduction of all bad or doubtful debts, should equal 20 per cent of the paid-up capital stock.

Eighth. To penalize the bank for suspension of the payment of any of its liabilities, continuing for ninety

days, by forfeiture of its charter, except for the purpose of making certain calls and of winding up its business.

Ninth. To make the liability of shareholders to the amount of their subscriptions and to an equal amount in addition certainly available and effective. Directors were empowered to enforce this liability to the extent deemed necessary without waiting for the collection of debts to the bank or the sale of its property. Calls for not more than 20 per cent at intervals of not less than thirty days or on less than thirty days' notice became mandatory so soon as a suspension had continued for six months. Shareholders defaulting lost all claim in the estate of the bank without preventing the recovery of the calls. By this provision, likewise suggested by the recent failure, it was expected to shift the burden of waiting for dividends from the creditors to the shareholders of a failed bank. Further, to safeguard such creditors, the liability of the transferor of bank shares, the transfer of which should be registered within thirty days prior to a suspension, was continued, saving his recourse, of course, against the transferee.

Tenth. To give shareholders the right to cast in the meetings of the bank each as many votes as he had held shares for three months prior to the meeting.

Eleventh. To require that directors should each hold of the stock of the bank not less than $3,000 when paid-up capital was $1,000,000, not less than $4,000 when the capital was $1,000,000 to $3,000,000, and not less than $5,000 when the capital was over $3,000,000; to empower shareholders to regulate by by-law the qualification and

number of directors, which should be not less than 5 nor more than 10, the method of filling vacancies occurring between annual meetings, and the remuneration of the president, vice-president, and directors; finally, to continue the restriction of directors' discounts, whether for themselves or for firms in which they might be partners, to one-twentieth of the total discounts of the bank.

Twelfth. To require the transmission of certified lists of shareholders, showing their residences and their holdings, to the minister of finance each year.

Thirteenth. So to amend and expand the monthly return to the government that the condition and character of each bank's assets and liabilities could be better understood. Thus the new schedule contained a special heading for government deposits, whether payable on demand or after notice; on the assets side, separate headings for loans to the government, overdue discounts not specially secured, overdue debts secured and for real estate, other than bank premises, and mortgages on real estate sold by the bank.

Fourteenth. To constitute the making of willfully false returns, and the giving of an unfair or undue preference to any creditor of a bank, misdemeanors, the guilty persons being further held responsible for all damages sustained by those whom they set about to injure or to deceive.

Fifteenth. To provide for the extension of existing bank charters, with amendments embodying the foregoing provisions, by a species of letters patent, which would be

issued by the governor in council upon a favorable report from the minister of justice and the treasury board.[a]

Further provisions limited to chartered banks the issue of notes intended for circulation by a penalty upon unauthorized issue of $400 for every offense, forbade the issue of notes for less than $4, applied all pertinent clauses of the measure to the bank acting under royal charter and to the bank of the principal partners *en commandite*, and continued the bank charters then in force to January 1, 1872.

Contrary to the minister's first suggestion, new banks were not allowed to come into existence, as old ones were to be continued, by letters patent. Parliament refused to give this element of its jurisdiction up. Neither were the banks required to keep cash in reserve in an amount equal to at least a fixed proportion of their liabilities. Sir Francis Hincks had favored this requirement at first, and a few of the bankers took the same view. But the argument against the theory of a fixed reserve offered by most of the bankers, in conference with the minister during the preparation of the resolutions, was strong enough to persuade him to abandon it. Much could be said, and in fact was said, in favor of making its notes a first charge upon the assets of an insolvent bank. The possibility that depositors might start runs in order to convert ordinary into preferred claims seemed to Sir Francis to jeopardize the stability of the banks, and accordingly he rejected the proposal of a noteholder's prior lien.

[a] The treasury board is a commission consisting of the minister of finance and any five of the other members of the privy council. The minister of finance is the treasurer, and has as assistant a deputy minister to whom most of the routine is intrusted. (Rev. Stats. of Canada, 1906, chap. 23.)

Obliging the banks to use government paper for a good proportion of their reserves was only one way in which the finance minister proposed to invade what champions of the banking interest were pleased to consider vested rights. Another limb of his policy was considerably to augment the general circulation of Dominion notes. By canceling the privilege of bank issue under $4 a further certainty of markedly wider use for the legal-tender paper was established. The minister took care to have the power to meet such demands ready at hand. The arrangement for issue and redemption by one of the chartered banks, in force since 1866, was brought to an end, and the management of the government circulation turned over to officers of the government. Authority was taken to establish offices for issue and redemption—branches of the receiver-general's department—in the provincial capitals, and to increase the whole issue, by not more than a million at a time, at intervals of not less than three months, to the total of $9,000,000. Against this the act (33 Vic., c. 9) ordained that the receiver-general should hold specie and Dominion debentures to the amount of the circulation outstanding—debentures not to exceed 80 per cent of the circulation; the specie, as a rule, to be equal to 25 per cent of the debentures (20 per cent of the circulation) and never less than 15 per cent. Issues in excess of $9,000,000 were to be covered by specie, dollar for dollar, and of notes so covered the issue to any quantity necessary might be undertaken.

So far as circumstances permitted, the measure "to regulate the issue of Dominion notes," was meant to reproduce in Canada, the issue department of the Bank

of England, in all that department's essential principles of organization and work. Sir Francis Hincks believed "that the functions of the issue department should be automatically confined to the exchange of gold for notes and vice versa; that an amount can be established which may, with perfect safety, be issued upon public securities, and all beyond that fixed amount in gold." Under pressure of political exigency, excess of issue over $9,000,000 was permitted in 1872, against gold holdings of but 35 per cent. (35 Vic., c. 7.) The Liberals, newly come into power in 1875, changed the rule to 50 per cent in gold for the amounts outstanding between $9,000,000 and $12,000,000, and dollar for dollar against circulation in excess of $12,000,000. (38 Vic., c. 5.) As the area of the Dominion extended, additional branch offices of the receiver-general's department were opened in Prince Edward Island, British Columbia, and Manitoba. In 1880 the limit of issue against specie and debentures was extended to $20,000,000 and the specie reserve required against anything less than that sum reduced to 15 per cent, cover for another 10 per cent of the circulation, however, being stipulated in the form of debentures of the Dominion guaranteed by the government of the United Kingdom. (43 Vic., c. 13.) Thirteen years later, an act of 1903 once more increased the amount but partly to be covered by specie to $30,000,000. (3 Edw. VII, c. 43.) In later years the government has held gold in amounts generally equal to, and sometimes greater than, the quantity of Dominion notes in the reserves of the banks. No serious practical inconvenience has been caused by the legislation in the shape it was given under Sir Francis

Hincks, while the treasury has gained considerably from the privilege of providing the small notes needed by the country at only nominal cost. With the chartered institutions furnishing the fluctuating volume of issues of larger denominations, and the government the small change from $1 upward, Canada has presented, since confederation, rather an exceptional example of the concurrent circulation of currencies regulated by the antagonistic theories of the banking principle and of the currency school.

Further to increase the Dominion's command of ready funds, the minister of finance, and parliament with him, decided in 1871 to take over the government savings banks and savings banks authorized to invest their deposits only in government securities, which had been established prior to confederation in the maritime provinces and to provide for the opening of additional offices. At the same time changes were made in the regulations governing the post-office savings banks, authorized in 1867. Henceforward the receipts of these offices, as well as those of the government savings banks, were to be paid into the consolidated revenue fund, and payments which might be demanded from such offices were to be made out of that fund. No arrangement for a reserve, nor for the investment of deposits in securities was provided for either sort of bank. In the administration of its own savings banks, or of the post-office savings banks, the government took no particular care to limit the advantages of this service to the needy and uninformed. The interest paid was so high (4 per cent until 1889, and then 3½ per cent until 1897) and the limit put upon

individual deposits so generous that for rising thirty years the chartered banks found the government one of their strongest competitors, as well for more or less permanent deposits at interest, as for saving deposits in the stricter sense of the term.

In the form it finally took, the bank act of 1870 was not acceptable to the banks. The provisions for continuing by letters patent the corporate life of banks whose charters were about to expire was an innovation to which the grant of charter by Parliament was preferred. Inasmuch as but one bank had taken advantage of the measure passed the preceding session, the ministry determined early in 1871 to draft a new law, "a general banking act, which would embody, not only the provisions of the previous act of the last session, but also the general provisions of what might be termed the internal regulations of banks." In this the bank charters were to be extended for ten years.

The measure thus described, a document of some seventy-seven sections and twenty three pages, became, when passed, the first bank act of the Dominion under which the banks actually worked. (34 Vic., c. 5.) Only a few changes were made in the new provisions enacted the preceding year. One such change—it can scarcely be called an improvement—relaxed the requirement of a large paid-up capital as a security to the public creditors of a bank. The least authorized and subscribed capital on which a bank might start operations was left as before at $500,000, but the new bank might now open for business with only $100,000 paid up, the payment of a further sum of $100,000, however, being required within two

years. The provisions regarding loans upon warehouse receipts and similar documents, in one aspect really matters of commercial law, but now, as in previous legislation, developed as bank law, were revised and amended. The double purpose of these changes was to simplify procedure and to extend the application of the statutes permitting loans on the security of commodities stored and awaiting sale, or on the way to market, passing into, out of or through the country or in process of conversion from the raw state to finished manufactured product. One short declaratory clause, struck out in 1879 (42 Vic., c. 45) after convincing experience of its pernicious possibilities, permitted a bank to lend upon the collateral security of the shares of any other bank. The prohibition against lending on the banks' own shares was retained, and in 1875, made still more severe by clauses forbidding banks to trade or to deal in its own stock. In other particulars, the new law presented no departure in principle from the general measure passed the year before. For the purposes of closer examination, however, the document is presented in full in Appendix 1.

V.—Legislation and Development, 1867–1890.

From the date of confederation to the 1st of January, 1890, the number of banks under Dominion jurisdiction increased from 28 to 38; their paid-up capital from $32,500,000 to $60,289,910; circulation from $10,102,439 to $33,577,700; total liabilities, other than capital and rest, from $44,548,376 to $171,684,322; and their total assets from $80,722,834 to $252,166,623. The periods of most rapid growth were 1869–1873 and 1880–1883. There was little rally from the stagnation of the middle eighties prior to 1888.

Adequately to set forth the reasons for the fluctuating fortunes of the banks in this period, or to explain the forces making for the marked expansion of the decade 1898–1907, is decidedly the task of the economic historian. To separate the story of the growth of a group of banks in point of profit or resources, or even of variety of business, from that of the agricultural, industrial, commercial, and financial progress of the community from which the banks draw their gains, is scarcely practicable here. Comprehensively to set forth the intimacy of the connection of individual banks with certain industries, or groups of industries, or with certain sections of the country, even in the case of banks so catholic in their choice of business and of scene as the Canadian banks have come to be, involves too many *personalia*, too great an abundance of minute detail. So far as the first great

expansion of 1869–1873 is concerned it is not clear that the Canadian economy was under influences essentially different from those which brought about the tremendous increase of trade and speculation which preceded the crisis of 1873 in other parts of the commercial world.

Contemporary observers called the period, and rightly, "an era of remarkable prosperity." Swift advance was the characteristic condition in almost every direction. Thus the Dominion government was able between 1867 and 1874 to increase the public debt from $93,000,000 to $141,000,000; the federal revenue from $13,600,000 to $24,200,000; total exports, $57,000,000 in 1868, rose to $89,000,000 in 1873–74; imports in the like period, from $73,000,000 to $128,000,000. Between 1870 and 1875 the railways of the country were extended from 2,497 to 4,826 miles. Upon the Intercolonial road there were spent some fifteen and a half millions. Railway construction and building operations at home, and the insistent demand for products of the forest abroad, greatly enhanced the value of all kinds of timber, with the ultimate effect of attracting excessive investment in the lumber industry and of inflating the value of timber limits and timbered land. Under the stimulus of the prospective cheapening of freights, and of the sanguine confidence with which men generally viewed the future, there were large and sometimes more or less extravagant projects of manufacture floated, artificial impulse being supplied in many cases by the disposition of municipalities liberally to bonus incoming concerns. Easy money and what were read as certain signs of enduring possibilities of profit, combined to assure a ready welcome for promotions of joint stock companies, and

especially of those devoted to financial and public-service schemes. Greater still, perhaps, was the influx of capital, and rather too often of credit, into a wide variety of commercial endeavor. Long time accorded wholesalers by the English export houses, liberal terms passed on by these to retail traders, and granted with a deal of carelessness concerning the record or sagacity of the recipients of credit, prepared the way for widespread embarrassment when the power or disposition of the consumer to maintain purchases at boom volume suddenly fell off.

While the country prospered, the banks fared well. With the great advances making in manufacture, transportation, and general trade, and with millions of bank capital struck off the provision of Ontario by the failures of 1866 and 1867, there naturally appeared a call for more facilities from the borrowers' side, and, from the investors' view, an opportunity for additional banks. What followed justifies the inclusion of bank expansion, whether in point of number or of apparent resources, among the most conspicuous of all the speculative growths of the period. Beginning in May, 1868, the movement for new banks continued until June, 1874, with the result that no less than 28 projects were carried to the point of obtaining incorporation from Parliament. Nine of these charters were forfeited for nonuser, but by the end of 1874 the number of new banks opened for business in this term had risen to 19.

Larger and more rapid than any additions due to new ventures, however, was the increase of banking capital effected by the older banks through calling up new shares. In this same term, when $31,000,000 net, or more than

$34,000,000 gross, were added to the paid-up capital stock of the Canadian system, half the sum was provided by three of the banks established prior to confederation. Twenty others of the older banks added some eleven millions to capital in blocks of from one to eleven hundred thousand each. In a little more than seven years the capital invested under Dominion regulation was doubled. Total liabilities were nearly trebled, having been increased from $44,500,000 to $126,000,000; total assets from about $80,000,000 to more than $200,000,000. The increase of bank capital continued for some time after the beginning of the general reaction which followed the panic and crisis in the United States. Figures for paid-up stock came close to the high point of the thirty-three years, 1867–1899, in June, 1876, when 41 banks reported $67,199,051. In so far as there had been speculation in bank shares upon borrowed funds, there was an element of artificiality in this increase. Loans upon the collateral security of shares of other banks were reported for a total of $3,813,000 in December, 1873, and at $5,308,000 a year later. How much surreptitious lending there was by each upon its own shares, a practice in which some of the banks had certainly engaged, the return to the government does not reveal. As late as 1890 the banks were faring comfortably with $6,000,000, in round numbers, less paid-up stock than they nominally had in 1876. That once well started, the movement was pushed to excess seems beyond question, but justification for a good part of the expansion could be derived from the development of the banks' business. Thus their note issues practically trebled in volume between 1868 and 1873

(December), the rise being from $10,157,483 to $29,016,659, while notes and bills discounted increased in the same time from $54,899,000 to $131,996,000.

However reckless, however frenzied, the fashion in which the future had been discounted, the records of the time seem to show little in the trade or banking situation of Canada, in the latter part of 1873, wholly parallel to the American crisis of that year. In the strict sense of the term, Canada suffered no panic. Money became scarcer and dearer, a deep depression of the timber market began as early as June, and, except in the grain business, which was helped by good English demand, a general slackening of trade occurred. Through 1874, the effort to restrict accommodation was hampered by the necessity of supporting many debtors whose assets were likely to prove deficient, if realization were forced forthwith. It was not until 1875 that the stringency was generally felt in the fullest force. Early in that year a heavy contraction occurred in both the circulation and deposits of the banks, but although the drain reached $12,500,000 in three months, total discounts were reduced by scarcely 2 per cent. Failures for $28,843,000 occurred in Canada in 1875, or in twice the number and for nearly four times the liabilities of the year before. The period of readjustment was long; the recovery exceedingly slow. Just when normal conditions were restored would be hard to determine; little marked improvement in business appeared before the fall of 1879. Meanwhile, not only in the carrying trade, in the lumber and timber industries, and in retail trade, where many of the gravest excesses had occurred, but also in the coal, cotton, salt, and slate

industries, the process of sanitation was proving difficult and costly for those immediately concerned. At the same time it was expensive for the banks. In December, 1874, their current loans were reported at $139,379,000; four years later at $97,603,688; the circulation on like dates fell from $29,000,000 to $22,000,000. Notwithstanding all that was written off in these trying years, unsecured overdue debts rose from $1,494,000 to $2,921,000, while overdue debts secured by real estate were doubled, and the holdings of real estate, other than bank premises, increased from $575,499 to $2,383,474.

By way of reductions of capital stock, amalgamations in which proprietaries of one or both banks took new stock of less value than the par of their old, or by voluntary liquidation, seven banks effected, independently of anything written off their surplus funds or rests, a diminution of the paid-up banking capital of Canada amounting to $6,500,000 between 1875 and 1880. La Banque Jacques Cartier reduced its capital from $2,000,000 to $500,000; the Merchants Bank of Canada from nearly $9,000,000 to a little over $6,000,000; the St. Lawrence Bank, changing its name to the Standard Bank, reduced its stock by about $150,000. The Metropolitan Bank of Montreal, with a capital of $800,170, went into voluntary liquidation in 1876, the shareholders eventually receiving about 57 per cent upon the par value of the stock. Stockholders of the Stadacona Bank, who decided on like action in 1880, recovered the full face value of their shares. In 1875 the Bank of the Niagara District was amalgamated with the Imperial Bank, and in 1876 the Royal Canadian with the City Bank, the corporation thus formed being renamed

the Consolidated Bank. In these two cases, however, there appears to have been no noteworthy lessening of the capitalization involved. The market course of bank shares, and the hardships suffered by shareholders in the period of contraction may be judged by estimates of the depreciation in the value of bank stock, made at the time. In 1879 Sir Francis Hincks reckoned the shrinkage of five years at nothing less than $25,000,000. If account were taken merely of what appeared in the government return, or in the annual balance sheets, the calculation of the changes in the par value of paid-up stocks and surplus funds or rests would show shareholders' losses of practically $12,000,000 on this score alone.

Such figures of course include allowance for capital sunk in banks which failed. Of downright failures there were three. Three other banks stopped payment in the spring or summer of 1879, but were enabled to resume operations in time to save their charters. The worst of the failures, whether in point of liabilities or creditors' losses, was that of the Mechanics' Bank of Montreal. Suspended for three months in 1875, it had managed, by a reduction of capital amounting to 60 per cent and more and by subscriptions to new stock, to get once more on its feet. But it found little, if any, support in reputable business circles. In the difficult period succeeding 1876 its discount business shrank to an inconsiderable volume of undesirable loans, while its circulation, much larger in proportion to capital than that of the other Montreal banks, was kept out only by improper and illegal means. After the failure, solvent shareholders were called upon for the whole of their double liability, but even with what this added to the estate

neither note holders nor other creditors received more than 57½ per cent of their claims. At the final suspension the total liabilities, exclusive of stock, were $547,238. Independently of interest losses the public lost some $240,000 by the collapse. So many of its obligations were in the form of notes, and held by those who could ill afford to lose, that the possibilities demonstrated by the Mechanics' failure aroused general indignation and concern.

The failure of the Bank of Liverpool was different, in this wise; that its note issue was small and appears to have been redeemed rather promptly by that bank, the chief creditor of the one in default, which bought the Liverpool's assets. The Dominion government's claim was $84,996, that of other banks $35,000, and of the public $12,671. After long litigation the double liability was enforced against the shareholders and about 96 per cent distributed upon the liabilities at the time of failure—$136,480. The Consolidated Bank, although in August, 1879, it also had become bankrupt, was wound up with less discredit than either of the other two. Eventually both notes and deposits were paid in full, and enough was saved from the wreck to divide among its proprietors about 23 per cent of the par value of a stock reduced from the original sum by 40 per cent. While shareholders sunk more than $3,000,000 in this venture, the public loss was limited to such discounts as were taken on claims by notes or deposits between the time of suspension and the time the liquidator was ready to redeem.[a]

[a] From 1867 to 1876 there was but one failure of a chartered bank in which the public suffered loss, that of the Bank of Acadia, which went down in 1873, after a corporate existence just short of four months. Out of this wreck, however, neither noteholders nor other creditors recovered more

trends. One of these was towards the issue of irredeemable paper money by the government. Conceived and held partly as logical corollary to the doctrine underlying the "national policy" of high protection, which had been approved at the polls such time as the Conservatives were returned to office, the theory that exchanges should be made with currency based upon labor, land, or the faith of the state, was embraced by such numbers and with such enthusiasm that the leaders of the party in power felt bound to show it no small respect. Any indigenous preferences for fiat money had been strengthened, of course, by comparisons, usually to Canada's disadvantage, between the progress of the Dominion and the growth of the United States since the civil war. Many of what were dubbed the "rag baby" arguments used in Canada were drawn from the arsenal of the influential and energetic greenback party south of the border. Champions of a "national currency," however, lacked the backing of business which stood the national policy in good stead, and apart from considerate, even deferential attention to the presentation of their proposals in the house, got nothing further from the government than an increase, cited earlier in these pages, of the limit upon the amount of Dominion notes which might be but partly covered by coin.

The other movement, to which most thinking persons lent their sympathy, if not their active help, took shape as a demand for a better regulation of the issues of the banks. The notes of the banks which had failed in 1879 fell to a discount directly they could no longer be redeemed. What faith there might have been that the

Since the lives of all the banks acting under Dominion charter were to expire July 1, 1881, it became necessary in the session of 1880 to take up the question on what terms to renew them. Some amendments to the legislation of 1871 had been made from time to time as the need appeared. Most important of these was the substitution, already noted, of prohibition for permission of the practice of one bank's lending upon another bank's shares (42 Vic., c. 5). Both in 1873 (36 Vic., c. 3) and in 1875 (38 Vic., c. 17) the form of the monthly return had been expanded to the end of exposing separately as well the accounts with the provincial as with the Dominion governments, of distinguishing between balances due to or from banks or agencies in the United Kingdom and similar accounts in foreign countries, and of presenting the liabilities of directors, whether as primary promissors or as indorsers. These were minor changes; now, it was expected, a general extension of charters would be marked by an effort more or less thoroughly to revise the bank act.

In the discussion and thought of this time upon questions of banking and currency and in the movements which proceeded from them, there appeared two main

than 20 per cent upon total liabilities of $106,914. The debts of the Commercial Bank of Canada were redeemed at face during its suspension, and of course assumed in full by the bank, to which the estate was sold. Payment in full was also made to the creditors of the Commercial Bank of New Brunswick, which failed in 1868. The Westmoreland Bank, likewise domiciled in New Brunswick, was creditably liquidated, though at the expense of the shareholders from whom the double liability was called up. The Gore Bank—third of the banks to begin business under an Upper Canada charter and the last to give up the fight—was absorbed by one of its younger rivals in 1869, at about 57½ per cent on its nominal capital, after the stockholders had already effected a 40 per cent reduction in the value of their shares.

issues of the Consolidated Bank would be paid at par was shaken by disclosures of the shameful mismanagement and by the notorious inadequacy of the assets of the Mechanics' Bank. Besides, there was many a holder of failed banks' notes who could not wait; between realization at a discount and waiting for payment in full he had no choice when such a note was all the cash he had.

To cure such troubles as had appeared under the Canadian system of regulation, those were not lacking who believed the prescription ready in the example of the United States. Once again, though without the ministerial backing it had in 1869, there appeared the plan to remodel Canadian charters on American lines and to secure the note issue by special deposits of bonds. Again, also, the inferior stability, the deficient elasticity, and the higher cost of the service of the "national" banks proved sufficient argument against the plan. Others suggested an audit by shareholders or inspection by the government, believing that with earlier discovery and recognition of questionable assets in the bill books of the banks bank embarrassments would be less frequent and serious than in 1876–1879. This proposal was rejected, partly because of the great practical difficulty—some called it the impossibility—of an inspection by any but a bank's own officers, when the property to be scrutinized was not under one roof but in as many different places as a bank happened to have branches. Not without weight, too, was the responsibility likely to be imputed to the government in the case of failure by banks which its inspectors had passed.

The plan most widely favored and the protection for note holders which was advocated by the banks themselves was to make the paper intended for circulation a first charge or prior lien upon the assets of the issuing banks. The total assets of all the banks were then about eight times their debts upon notes; for single banks the proportion was seldom as low as six, and for some it stood as high as ten. Failure, it was believed, would inevitably befall a bank before its assets could be squandered or mismanaged until they would fetch but a sixth or a tenth of their nominal worth. Over and above the assets, there was the contingent or reserve liability of shareholders upon their stock, equal, if all collected, to the highest amount of circulation a bank might lawfully put out.

Sir Leonard Tilley, finance minister in the government of the time, made the prior lien of note holders a central feature of his proposals for revision. Objection to the change was offered by the Opposition on the old score that the preference of note holders enhanced the danger of depositors' runs. With the banks now willing to take the risk—asking for it, in fact—the objection had lost most of its weight. It was provided in the act to amend the bank act, to which the royal assent was given May 7, 1880, and which was to become effective July 1, 1881, "that the payment of the notes issued by any such (chartered) bank and intended for circulation, then outstanding, shall be the first charge upon the assets of the bank in the case of its insolvency" (43 Vic., c. 22, s. 12.)

In increasing to $20,000,000 the quantity of Dominion notes for which cover of but 25 per cent in specie and

guaranteed debentures of the Dominion needed to be kept, the ulterior purpose of the government was to expand this form of non-interest-bearing debt, so soon as might be, to the new limit allowed by law. To serve this purpose, the banks, which had been issuing notes for $4 each since they were deprived of their $1 and $2 note circulation in 1871, were now restricted in their issue privileges to notes for $5 and multiples of that sum. Further to facilitate the injection of more legal tenders into the country's currency, it was enacted that every bank when making payments should pay, if the payee so desired, any due sum up to $50 in Dominion notes for $1 or for $2 each. The proportion of Dominion notes which banks were obliged to keep in their reserves was increased from usually half and not less than one-third to not less than 40 per cent. Being but incidental to the government's Dominion note policy, already approved by the house, these clauses provoked less criticism than if they had stood alone. Along with the other amendments and additions to the bank act, recommended by the ministry, they were passed with practically no debate.

Chief, perhaps, of these other provisions was that by which the form of the monthly return became fuller and more detailed. Henceforth separate report was to be made of loans from or deposits made by other banks in Canada, secured; loans from or deposits made by other banks in Canada, unsecured, and of the corresponding items on the assets side; of Dominion securities, of other government securities, of loans to corporations and of loans to municipal corporations, of real estate other than bank premises, and of mortgages on real estate sold by

the bank. Another suggestion, derived from the experience of 1879, led to the exemption from liability on bank shares of persons holding stock as executors, guardians, administrators, or trustees, if the representation were declared in the bank's books. Recourse in such cases was reserved against the estate and funds held in trust. The term for which a bank might hold real property, not needed as bank premises, was limited to seven years from the time the property was acquired. Legislation of 1879, which required that contracts for sale of bank shares should specify the numbers of the shares, having proved impracticable of enforcement, was repealed.

Such sections of the bank act as dealt with loans upon bills of lading and warehouse receipts were expanded and considerably improved. Finally, clearly to distinguish credit establishments recognized by the Dominion from private ventures—some of them of questionable creditworthiness—the use of the title "bank" by others than chartered banks was made a misdemeanor.

Three years after the first general revision, or in 1883, the government came to the conclusion that the penalty of charter forfeiture provided as sanction for certain prohibitions of the bank act was too severe. Accordingly, money penalties were established for a number of infractions in punishment for which the government would be reluctant to deprive a bank of its existence. Every day's delay after the time set for the annual dispatch of the list of its shareholders subjected the bank in default to a fine of $50. Against note issue in excess of paid-up capital stock a fine of $100 was provided for issue of less than $20,000 beyond the limit; one of $1,000, for $20,000

to $100,000; of $5,000, for $100,000 to $200,000; and of $10,000 for $200,000 or more of excess. Neglect to keep 40 per cent of the reserve in Dominion notes cost $250 for each offense; failure to transmit the monthly return within twenty days of the end of the month, $50 for each day's delay. For infraction of the clauses (secs. 40, 43, 46, and 51) of the bank act prohibiting loans upon real estate, the bank's own stock and the like, a fine not to exceed $500 was provided for each offense. To the form of the monthly return were added headings for the amount of the rest or reserve fund and the rate of the last dividend. Further to guard against misapprehensions by the uninformed public, the use of the titles banking company, banking house, banking association, banking institution, or banking agency by persons or firms not working under the bank act was made a misdemeanor except the phrase "not incorporated" were added to the title.

The multiplication of bank charters all but ceased with the close of the year 1874. In the seven years 1875–1881, only two new incorporations were passed by Parliament; for neither one of these projects were the promoters able to find the capital. But the improvement in business conditions which began to be perceptible late in 1879, presently, under the impulses provided by the new protective tariff, extensive railway construction and the rapid development of the province of Manitoba, took the form of an active expansion which lasted well into 1883. This improvement served again to stimulate the organization of additional banks. Thirteen new charters were granted between 1882 and 1886—four each in 1882 and 1884, three in 1883, and two in 1886. Eight of these

charters were forfeited in time for non-user within the term prescribed by the several acts. Of the five banks which did start but two survived the year 1894. Meanwhile reductions of capital by some six of the banks, amounting in all to $4,070,000, four failures, and two liquidations left the capital at the end of 1889 at $60,057,235, $72,000 less than four years before. The highest amount reported at the end of any year was in 1885—$61,763,279—when 41 banks were reporting, as compared to 36 in 1879 and 38 in 1889. The business of these institutions, however, showed substantial growth, deposits by the public having increased by 85, circulation by 50, total liabilities by 63, and total assets by 42 per cent. On the whole, a considerable advance in practice appears to have marked the decade. The lessons of 1876–1879 were fairly fresh in mind; the soundness and security of business offering was given more attention than in the days when expansion was accounted an end in itself. The application of borrowed funds became a point for minuter inquiry, and, as a rule, the banks less frequently discovered, too late to be of much help, that they had been finding the price of real estate, plant, or other fixed investment. The increase of branches contributed also to the stability and strength of the banks. Seven of them, for example, had agencies in Manitoba when the land boom collapsed in 1882. So serious were the losses there, not by reason of participation of their own in the inflation of land values, but because of the thoroughness with which the whole commercial community had been infected with the speculative virus, that three out of the seven Winnipeg managers were dismissed.

Bad debts which would have swamped local banks, perhaps for all time, were taken care of by the Canadian banks which suffered them without other outward sign than reductions of capital, smaller additions to rest account, or lower dividends upon their stock.

Of the banks which failed in this period, the Exchange Bank of Canada, domiciled in Montreal, went down the first. Chartered in 1872, it had called up the whole of $1,000,000 authorized capital by June, 1875. In August, 1879, its position became such that it had to suspend payment, though only for a month. Half its capital was written off in 1881, the directors admitting losses to the amount of $341,000. After this untoward episode, the directors appear to have engaged in the effort to bolster the standing of their bank by extensive trading in its stock. A twelvemonth before bankruptcy stock fetched as high as $179 a share of $100 par. For reasons that the government never made satisfactorily plain, the bank, more than half of whose stock was owned by prominent Conservatives, got help from the government in the spring of 1883, in the sum of $300,000. Probably there was abundant truth in the criticism of the Opposition that the bank was a political bank, and an example of the disasters awaiting a political bank. Apart from that, the management was both unscrupulous and unsound. Indeed, the managing director was discovered himself to be owing the bank $226,000 when it failed September 15, 1883. A note issue of $380,218, government deposits of more than $300,000, and public deposits (many of them attracted by rates considerably above the market) rising $1,600,000 were the principal items of liabilities for

$2,430,000 at the time of the final suspension. By virtue of the priority accorded such claims, the notes were paid in full, or rather payment could be had in full, within two months of the suspension. The discount upon this paper, suffered by those who sold it in the street, was never reported as higher than 10 per cent. To other creditors, even with the help of all that could be collected upon the double liability of shareholders, the dividends were only 66½ per cent.

A worse outcome awaited the creditors, other than note holders, of the Maritime Bank of the Dominion of Canada, whose head office was at St. John, New Brunswick. From the time of its organization in 1872 to 1883–84, nearly $600,000 of its resources were sunk in a series of more or less speculative operations, most of them unduly large advances to a few favored firms or individuals. For this period of its existence it was in a great measure a one-man bank. Though reorganized in 1884, on a capital reduced to $247,000 and placed in new hands, the bank seems still to have followed the course which its experience roundly condemned. By 1887 its overdue debts amounted to $650,000, more than half of this owing by bankrupts. A sum exceeding twice or thrice its capital had been put by the bank into certain lumber accounts, for the payment of which the sponsor was really but one concern. To the end of prolonging its existence, the management resorted to the plan of kiting sterling bills. A week before the bank failed, in March, 1887, it had $205,000 on deposit by the Province of New Brunswick and $70,735 of Dominion funds, among total liabilities of about $1,410,000. The two governments were suc-

cessful in suits to enforce the crown priority, the law in New Brunswick being more favorable to the Crown than in Quebec, where like litigation begun by the Dominion against the Exchange Bank had failed. Other creditors, apart from note holders, received 10.6 per cent of the amount of their claims. The note holders, though two years passed before the operation was complete, were paid the face of their claims in full, the amount outstanding at failure being $314,000.

By the Exchange Bank failure, public creditors lost close to $690,000, exclusive of interest; by that of the Maritime Bank at least $750,000. From the two bank failures which occurred in Ontario in August and November, 1887, the public loss was less than $15,000. The first of these bankruptcies was committed by the Bank of London in Canada, first established in 1883, and soon involved by a speculative president in a variety of precarious ventures, among them a loan company under his control which later became insolvent. Both note holders and other creditors were paid in full, and more than $80,000 upon the $241,000 paid-up stock returned to the proprietary. In winding up the Central Bank of Canada, also chartered in 1883 and bankrupt in November, 1887, it was necessary to collect the double liability from the holders of the stock. With this help, notes were redeemed at par and claims of other creditors at 99⅔ per cent. The history of this bank was one of discreditable practice, scandalous mismanagement, and more or less dishonest diversion of the bank's resources to the benefit of an inner clique.

The Pictou Bank, having suffered large losses through the failure of some of the principal debtors, went into voluntary liquidation in 1887, and after discharging all its debts, distributed among its shareholders $68,000 odd upon a capital of $232,000.

The second example of voluntary liquidation was provided by the Federal Bank. Incorporated in 1872, the bank had gradually increased its capital to practically $3,000,000. Its management was enterprising, ambitious, and inclined somewhat to scoff at the conservative policies pursued by other and older concerns. One of the devices to which the management resorted was the formation of a subsidiary company for the purpose of lending upon the bank's own stock and of supporting the market for its shares. So well did this "little machine" work for a time that the $1,500,000 new capital issued in 1883 was floated at a premium of 40 per cent. All of the new capital and $250,000 more disappeared in 1885, when the stock was reduced by act of parliament to $1,250,000. The year before, in July, losses in Michigan lumber deals, lockups in Manitoba, and the operations of the machine having crippled its resources, the bank was saved from suspension only by the help of $2,000,000 lent for a brief season by other banks. The new manager then appointed struggled along until the fall of 1887, when the stock of the Federal Bank, never high in the public confidence since the disclosures of 1883, fell below par. Withdrawals of deposits and redemption of notes for a total of $1,632,000 occurred in the last two months of 1887 and the first of 1888. Called into consultation upon the Federal's case, bankers of Toronto decided to advance enough cash to

pay off the liabilities of the bank, provided it were wound up forthwith with open doors. With the failures of the Central and London banks fresh in men's memories, the step was probably a wise one. It meant, to be sure, an advance of some $2,700,000 at a time when reserves were particularly low, but it also meant, or at least so bankers believed, escape from something like a panic and calls for considerably larger amounts of cash before the uneasiness roused by another bank failure could be allayed. The estate of the bank proved sufficient, not only to repay the helping banks but also to permit a substantial dividend to shareholders.

In the twenty-three years, 1867–1889, the sum total of losses suffered by the holders of shares in Canadian banks, whether by reductions of capital, voluntary liquidation, failures, or contribution upon the double liability, was not far short of $23,000,000. Were reductions of rests or the sums appropriated for losses out of profits to be included the total of investors' losses would be still higher. But notwithstanding the failure of 10 banks and the withdrawal, for cause, of 8 others from the field, the loss of principal inflicted upon the creditors of the banks in this period was not more than $2,000,000, no matter what the nature of such creditors' claims.

VI.—Bank Act Revision of 1890.

The ultimate security of the Canadian bank note circulation had been put beyond question, in all but the most exceptional circumstances, by the legislation of 1880, which made the note holder's claim a prior lien. But the bank disasters of 1883 and 1887 had shown that there could be a serious interruption of the immediate convertibility, directly the issuer of the notes had failed. Neither the Exchange Bank's notes nor those of the Central Bank were subjected to discount greater than 10 per cent in the time between failure and the beginning of payment, but in the two years and more which passed before the liquidator was ready to redeem its paper, those of the Maritime Bank, fetched as little at one time as 40 per cent of their face. And in exceptional circumstances, even the ultimate security was not all that could be desired. Some part of the outstanding issues of banks going into voluntary or involuntary liquidation—that part which was not presented within the stipulated time—had been affected by the clauses in the winding-up acts passed for such banks which permitted the liquidators or the liquidators' trustee, after a term of years and due notice, to distribute among shareholders such sums as had been reserved for the redemption of notes outstanding. It had been found that not all the notes of a failed or otherwise liquidating bank could be called in within any set term.

Still another cause for complaint was to be found in the circumstance that bank notes did not circulate at par in all parts of the country. Notes ordinarily were subject to a discount equal at least to the domestic exchange on the place where they were payable, when offered in places remote from that of issue. When a branch office of the promissor was in the neighborhood, the notes could be used in making payments to such a branch and hence had better standing. But although the number of offices had nearly trebled between 1869 and 1889, there were but 402 offices of chartered banks in the whole Dominion. Being a frequent annoyance, the discount for geographical reasons constituted no inconsiderable grievance.

A fourth objection to the bank act, as Sir Francis Hincks had framed it and Sir Leonard Tilley left it, was the comparative ease of the terms upon which a charter could be obtained. The increase of small banks, or of banks started by persons of small responsibility, had been productive of financial episodes for which the community had small relish. Even the stanchest champions of competition were agreed that the paid-up capital required of new organizations should be increased.

Finally, as in previous discussion about banking legislation, advocacy of bond-secured circulation was not lacking. Among the most conspicuous supporters of proposals to import the system of regulation adopted in the United States were the president and some of the directors of the Bank of Montreal. The Gazette of that city presented through 1889 long arguments in favor of

the plan, mainly because of the security and uniformity of value it would give the country's currency.

The banks, on their side, began to prepare for revision as early as December, 1888. One measure contrived to keep notes at par, however far they might be from the place of issue, was the completion in 1889 of arrangements by most of the banks under which, working generally in pairs, one bank took up at face, in its own neighborhood, such notes of the other as might be presented for redemption. Another step, which eventually led to the organization of the Canadian Bankers' Association, was the decision jointly to work out and to present to the ministry certain suggestions for reform. One of the most significant and far-reaching of these was the establishment of a safety fund, calculated to prevent discount whatsoever on the notes of a suspended bank.

The bankers and the minister of finance, then the Hon. George E. Foster, met in Ottawa January 25, 1890, and on February 11 and 12. What the government proposed to do in respect of revision was not communicated to the bankers at the first meeting, but an expression of views was invited upon the questions of making the bank act a permanent statute, of preventing the discount on the notes of a solvent but distant bank, of preventing discount on the notes of a bank no matter what the issuer's condition, of restricting the circulating privileges of a bank, say, to 60 or 70 per cent of its paid-up stock or to the average of the past three years, of requiring the banks to hold fixed proportions of their liabilities in cash, and of requiring a larger paid-up capital for new banks.

In order to prevent the discount upon notes of a solvent but distant bank, the bankers proposed that banks be obliged to maintain that which most of them had already voluntarily arranged, namely, the redemption of their notes in a number of centers sufficient to insure their circulation at par the country through. This was fairer, they thought, than to compel each bank to accept the notes of all other banks; under the suggested plan the burden of redemption would fall on the bank which had the benefit of circulation. To prevent discount upon notes of a suspended bank, there was submitted to the minister's consideration the project of a safety fund, later enacted into law, and the suggestion that liquidators should deposit with the Crown, before the final distribution of surplus assets, enough to redeem any notes the books of the banks might show as still outstanding. Objection to further restriction of circulating privileges was offered on the ground that the business of many of the banks was of a sort to which large though fluctuating amounts of circulation were well nigh indispensable. There was a possibility of working needless hardship were rights of issue restricted to a fixed percentage of capital, while if the limit imposed were the average of three years, some banks would be unable to meet the annual expansion in the demand for notes.

The chief argument, however, was directed against the suggested requirement of a fixed reserve. Even conceding that some of the Canadian banks had been sailing too close to the wind in the matter of reserves, it was held that a reserve is no reserve if it may not be used when needed. The bankers contended that in the United

States, where the law fixed the least proportion of cash compared to liabilities a bank might carry, the rule was all too frequently honored by its breach, and that it was a fruitful source of violent fluctuations in interest rates at the financial centers. Worse than all else, the fixed reserve was unsuited to Canadian conditions.

Wherever, as in Canada, a borrowing customer is expected to bank with but one bank, the bank, having granted the customer a line of credit, assumes a tacit obligation to meet his demands for credit to the amount of the grant. Multiply such an obligation by thousands, as a bank with many branches must do, and it becomes clear that the bank is more or less in duty bound to find and to advance large sums at times impossible exactly to foresee. Unusual conditions of trade or finance or even exceptional weather could conceivably necessitate an expansion of liabilities, such as is usually coincident with an expansion of assets in modern banking, which would reduce the proportion of reserve below the minimum fixed by law. In such cases, the bankers argued, the freedom of action would be hampered, and the efficiency of the country's institutions of credit impaired, to no good purpose. Further, the obligation to maintain a fixed reserve would grievously and injuriously weaken their power to cope with situations such as the difficulties of the Federal Bank had brought about. The finance minister, however, was obdurate. From his decision to insist upon this radical innovation the bankers appealed to the cabinet. Partly by argument, partly by none too closely veiled a threat to make the question a political issue, the privy council was induced to overrule the minister of

finance. The proposals for bank-act revision he submitted to parliament carried no provision for a fixed reserve.

In the house of commons two other details of his original project were either modified considerably or abandoned altogether. One was the proposal of a compulsory external audit, to be conducted by nominees of the shareholders, the results of which should be communicated to the shareholders at their annual meetings and to the minister of finance. To this it was objected that an auditor could not be expected accurately to ascertain the character and value of a bank's discounts—the key to its whole position—and that consequently a favorable report from an auditor would be no guaranty that the condition of a bank was sound. The shareholders' audit, therefore, was rejected. The other, and subsequently modified proposal, was one to the effect that a return should be made each year of the dividends unclaimed for five years, and of balances in respect of which no transaction had occurred or on which no interest had been paid for five years. Together with the amounts involved, the names and last-known addresses of the persons to whom these sums were due, and the place and time of their last transaction were to be set forth in the return, and sums not claimed within three years after the first return in which they were reported were to be paid to the minister of finance for the public uses of the Dominion, saving the right of the person entitled to any sum to recover it on proper proof of claim. The effort exactly to copy for Canada provisions more or less common to the bank law of India, some of the Australian colonies, and Natal failed in the form first proposed, but the banks were obliged

each year to report to the government the amount of balances and dividends, unclaimed and dormant, for five years preceding, and all the other details which the minister had desired. As it happened, therefore, the revision of the bank act under Doctor Foster was considerably closer to his own description than he at first intended—"to keep the existing system, but to improve it, obviate the objections and difficulties, and establish new safeguards."

First of the improvements was the establishment of a safety fund—the bank circulation redemption fund, it was styled in the act—to prevent discount upon the notes of a failed bank between the time the failure happened and that at which the notes could be redeemed. As originally constituted, and lodged in the keeping of the minister of finance and receiver-general of the Dominion, this fund was to be made up from contributions of the several banks enjoying issue privileges, equal each to 2½ per cent upon their average circulation in the year 1890–91, and to a further 2½ per cent upon their average circulation in the year 1891–92. Thereafter it was to be adjusted annually so that it would be equal to 5 per cent of the average circulation of the contributing banks, as shown by the monthly return of notes outstanding in the twelvemonth preceding the 30th of June, the average being calculated, however, on the greatest amount outstanding during the month and not upon what might be in circulation at the end of the month. "The bank circulation redemption fund * * * ," it was provided by section 54 of the act (53 Vic., c. 31), "shall be held for the following purposes and for no other, namely: In the event of the suspension by the bank of payment in specie or Dominion

notes of any of its liabilities as they accrue, for the payment of the notes then issued or reissued by such bank and intended for circulation, and interest thereon; and the minister of finance and receiver-general shall, with respect to all notes paid out of the said fund, have the same rights as any other holder of the notes of the bank." The last clause, of course, related to the note holder's private lien.

No payment was to be made out of the fund, however, unless the liquidator of the bank originally responsible for the notes should fail to make arrangements for their redemption within two months of the bank's suspension. But when occasion should arise to use the fund, payments were to be made from it, irrespective of the amount contributed by the bank on whose behalf the payment might be made. When payments should exceed the contribution of such a bank, other issuing banks could be called upon to make good the amount of the excess, but not in sums greater in any one year than 1 per cent of their average circulation for that year. Such contributions were to be returned to the banks making them, pro rata to their amount, in case recovery of the whole or any part were obtained from the failed bank's estate. Further clauses permitted the return of its contribution to the liquidator of a bank in process of winding up, directly it was clear that adequate provision had been made for its notes, and enabled the minister of finance to enforce by suit the payment of any sum due by a bank under the regulations governing the fund. The precise terms of the bank act of 1890 as amended in 1900 and consolidated in 1906 are printed in full in Appendix II.

Significant as were the creation of machinery by which the chartered banks became joint guarantors of each one's issue of notes, and the psychological effect, due to this change, upon the standing of the bank-note circulation, practical consequences of at least equal importance were brought about by the provisions for the payment of interest upon a failed or suspended bank's notes. Directly default upon any of its liabilities was committed by a bank, the act provided, its notes intended for circulation should bear interest at the rate of 6 per cent per annum until such time as the liquidator, or other proper official, published notice of his readiness to redeem them. Should he fail so to announce his readiness, or, having published notice, fail to redeem notes as they were presented, they were to bear interest for such further time as passed before they were redeemed out of the safety fund. It was in this manner that in Canada the paper of a failed bank became worth more in some circumstances, and never less in any, than the paper of a going concern. In practice, moreover, not one dollar has ever been paid from the bank circulation Redemption Fund in the redemption of failed bank's notes. "The notes of such banks failed since 1890 have all been met in the ordinary course of winding up, without resort to this interesting provision of the bank act."[a]

To the end of doing away with the discount upon the notes of solvent but distant banks, the ministry and Parliament made obligatory the maintenance of arrangements similar to those already begun by many of the

[a] Letter of T. C. Boville, Esq., deputy minister of finance, under date of May 25, 1909.

banks of their own motion. In requiring the banks, generally, to insure the circulation of all their notes at par in any and every part of Canada, the act specifically commanded the establishment of agencies of redemption and payment of notes at the commerical center of each province—Halifax, St. John, Charlottetown, Montreal, Toronto, Winnepeg, and Victoria. Obedience to the specific mandate of this section (sec. 55) has sufficed to effect execution of the general injunction. At the same time, in forcing notes more quickly back upon the issuing bank, it has served beyond question as a potent corrective of any tendencies to inflation of the circulation which the disappearance of all doubt about its security and convertibility may have brought into play. Whether from real concern or in a spirit of heckling, the Opposition had made much in the debate of the possible weakening of motives for redemption and the likely loss of one of the most important safeguards peculiar to the traditional scheme of regulation.

The third and last of the major changes affecting circulation repealed the statute of limitations so far as it affected the notes or deposits of banks which might become insolvent or go into liquidation under a general winding-up act. Moneys of this character payable by the liquidator and remaining unpaid for three years after insolvency was committed or winding up began, or remaining unpaid at the time of winding up, if that were sooner finished, had henceforth to be paid to the minister of finance, who was to hold them for the uses of the Dominion, saving the rights of the owners of the unclaimed deposits or holders of unredeemed notes. The govern-

ment by this provision also gained what slight advantage there might be from notes lost or destroyed, while for holders of notes current in 1890 or thereafter the certainty of collecting the face of their claims was permanently assured. At the same time the contributors to the safety fund were protected from claims for redemption which might be repudiated by the estate of the original promissor on the ground that the time within which they ought to be presented had expired.

To provide the security of a larger paid-up capital, the amount upon which a new bank might begin business was increased to $500,000 subscribed and $250,000 paid up. And the better to satisfy the public and the government that the foundation was real, it was stipulated that no bank should issue notes or begin business until $250,000 of its capital should have lain on deposit with the minister of finance for at least four weeks, and such longer period as might elapse until the issue of a certificate from the treasury board. Such a certificate was to issue only in case the treasury board were satisfied that the new organization had complied with all the pertinent provisions of the bank act, and only within one year from the date the bank's charter was passed.

The clauses pertaining to loans upon warehouse receipts and bills of lading were once more recast and the provisions as to loans intended to aid in the manufacture of goods considerably extended. The marked peculiarity of the provisions, both as to warehouse receipts and bills of lading, and as to loans to "manufacturers" consisted in this, that the banks might not take the security or document transferring the title to goods, wares, or mer-

chandise, except they acquired such security, or a written agreement that such security would be given, at the time of the negotiation of the bill, note, or debt for which the security was a pledge. Due formalities being observed, the bank taking documents for the commodities concerned acquired a lien prior to the claim of the unpaid vendor. For the purposes of the bank act the word "manufacturer" was defined as including "maltsters, distillers, brewers, refiners, and producers of petroleum, tanners, curers, packers, canners of meat, pork, fish, fruit, or vegetables, and any person who produces by hand, art, process, or mechanical means any goods, wares, or merchandise." Apart from the things usually understood as goods, wares, and merchandise, the phrase was defined as further including "timber deals, boards, staves, saw logs, and other lumber, petroleum, crude oil, all agricultural produce and other articles of commerce." As first brought down, the bill permitted loans on the security given by any person engaged as a wholesale manufacturer or "producer." For fear that "producer" might be held to include the farmer, whose general credit depended on the visible possession of divers chattels, such as grain, cattle, and implements, and because assignment of these under the form for such transfer would not become notorious like a chattel mortgage, the word "producer" was struck out. In their amended form the clauses read:

"SEC. 74. The bank may lend money to any person engaged in business as a wholesale manufacturer of any goods, wares, and merchandise upon the security of the goods, wares, and merchandise manufactured by him or procured for such manufacture.

"2. The bank may also lend money to any wholesale purchaser or shipper of products of agriculture, the forest, and mine, or the sea, lakes, and rivers, or to any wholesale purchaser or shipper of live stock or dead stock, and the products thereof, upon the security of such products or of such live stock or dead stock and the product thereof.

"3. Such security may be given by the owner and may be taken in the form set forth in Schedule C to this act, or to the like effect; and by virtue of such security the bank shall acquire the same rights and powers in respect to the goods, wares, and merchandise, stock or products covered thereby, as if it had acquired the same by virtue of a warehouse receipt.[a]

"SEC. 76. If goods, wares, and merchandise are manufactured or produced from the goods, wares, and merchandise, or any of them, included in or covered by any warehouse receipt, or security given under section 74 of this act, while so covered, the bank holding such warehouse receipt or security shall hold or continue to hold such goods, wares, and merchandise during the process

[a] Following is the form given in Schedule C:

In consideration of an advance of ------ dollars, made by the (name of bank) to A. B. for which the said bank holds the following bills or notes (describe fully the bills or notes held, if any), the goods, wares, and merchandise metioned below are hereby assigned to the said bank as security for the payment, on or before the ------ day of the said advance, together with interest thereon at the rate of ---- per cent per annum from the ------ day of ------ (or of the said bills and notes or renewals thereof or substitutions therefor, and interest thereon, or as the case may be).

This security is given under the provisions of section 74 of "the bank act," and is subject to all the provisions of the said act.

The said goods, wares, and merchandise are now owned by ------ and are now in ---- possession, and are free from any mortgage, lien, or charge thereon (or as the case may be), and are in (place or places where goods are), and are the following: (particular description of goods assigned).

Dated at ------, 18----.

and after the completion of such manufacture or production with the same right and title and for the same purposes and upon the same conditions as it held or could have held the original goods, wares, and merchandise."

Apart from the four main changes and the legislation respecting secured loans now reviewed, the revision of 1890 was mostly devoted to points of minor detail. In one such clause, there was enacted a declaration of the priority of the Crown as creditor of an insolvent bank, already a prerogative by the common law, in provinces where the common law obtained, but one not recognized by Quebec courts, construing the civil law, in the suit brought by the Dominion against the estate of the Exchange Bank. The notes being always the first claim, it was now provided that any amount due the government of Canada in trust or otherwise should be the second charge on the assets of an insolvent bank; any sum due governments of the provinces, a third charge. Another amendment changed the qualification of directors in respect of stock holdings, by stipulating that they should own certain amounts of paid-up rather than merely subscribed stock, namely, $3,000 when the paid-up capital was less than $1,000,000; $4,000 when it was between $1,000,000 and $3,000,000; and $5,000 when it was more than $3,000,000. The requirements as to directors were perhaps relaxed in this, that henceforth only the majority of a board needed to be British subjects.

The increase or decrease of capital stock was permitted to shareholders acting by by-law passed in general meeting, though such by-laws were not to become effective till approved by the treasury board. Banks were required to build up their rests or surpluses to 30 per cent of the paid-

up stocks before distributing dividends of more than 8 per cent in any one year. The liability of all banks upon deposits or dividends declared and payable was continued indefinitely, notwithstanding any statute of limitations. The term prior to a suspension during which the liability of the owner of shares in a bank which subsequently fails, cannot be evaded by sale, was extended from thirty to sixty days. The use of divers titles, such as bank, banking house, banking company, by persons not authorized thereto by the bank act was forbidden altogether. Extension of undue or fraudulent preference to creditors became punishable by imprisonment not to exceed two years; the making of willfully false or deceptive returns or statements, by imprisonment not to exceed five years. Offenses against the bank act, among which was the unauthorized use of the title bank, were penalized by fines not exceeding $1,000 and imprisonment for five years, or both at the discretion of the court. For the comparatively mild penalties against overissue, provided by Sir Leonard Tilley, Doctor Foster now substituted fines which were exceedingly severe. For issue in excess of the paid-up capital, less than $1,000, the fine became the amount of such excess; for an overissue of $1,000 to $20,000, $1,000; for one of $20,000 to $100,000, $10,000; of $100,000 to $200,000, $50,000; and for an overissue of more than $200,000, a fine of $100,000 was to be imposed.

The special provisions relating to the banks under royal charter and to the Banque du Peuple (*en commandite*) were renewed. The only noteworthy contrast between the position of these banks and those with ordinary charters, was the limitation of the note issue of the Bank of

British North America and of the Banque du Peuple to 75 per cent of their respective paid-up stocks. For banks of Canadian origin and subject, or likely shortly to be subject, to the jurisdiction of the Dominion, the corporate life was continued till July 1, 1901.

In the shape to which it was wrought by the painstaking able, and thorough revision of 1890, the bank act of the Dominion has stood with but little change in form and none in its underlying principles for the past eighteen years. What new provisions have been added to the statute have been prompted by the purpose to facilitate rather than hinder the growth of the banks, or by the determination to round out and to perfect the new measures whereby the circulation has been safeguarded since 1891.

One at least of the Canadian banks having opened offices in another British colony where the pound sterling was the monetary unit, a law of 1899 (chap. 14) permitted the issue of notes intended for circulation in denominations of 1 pound sterling or multiples of the pound sterling. It was stipulated, however, that such notes should not be issued in Canada (notes for $5 being the lowest permissible there) and that they should bear legibly across their face the name of the place where, in the colony for which they were intended, they would be redeemed at par. In 1904 similar branches having been established in other British colonies where a dollar of different value than the Canadian dollar was the monetary unit, banks were permitted to issue, but only in such colonies, notes for $5, and multiples of $5, redeemable at par in the dollars recognized in the place of issue as the legal tender and the money of account. (4 Edw. VII., chap. 3.)

The third of these measures suggested by the expanding business of the banks was not passed until 1908. For some years, however, a need for it had appeared, in the closeness with which the circulation of a number of the banks, notwithstanding large increases of paid-up capital, had approached the legal limit in the active season of autumn. It was now enacted that in the crop-moving time of any year—from October 1 to January 31 of the following year—a bank might issue notes in excess of its unimpaired paid-up capital to the amount of 15 per cent of the sum of its paid-up capital and rest account (surplus) as shown by the monthly return to the government. (7–8 Edw. vii, chap. 7.)[a] As price for the privilege of overissue, any bank taking advantage of the amendment was required to pay interest upon the excess, at a rate not to exceed 5 per cent per annum, to be fixed by the governor in council. Whatever is realized by way of such interest accrues to the general revenue of the Dominion. In the month of October, 1908, five banks reported the greatest amount of their notes in circulation at $700,000 more than their capital stock; in November like figures for six banks showed an excess of $788,710, but in December all but four banks, with an excess of $304,000, were again within the limit of normal issue, and these four reported circulations less than their paid-up capitals throughout the month of January, 1909. At the highest amount outstanding in November there was still a reserve power of issue, independently of emergency privileges, of $6,865,692, shown by a comparison of the total notes in circulation to the paid-up stock of the banks.

[a] See Appendix III.

VII.—Amendments of 1900.

As the time for the decennial revision of 1900 drew near, there began among the Canadian chartered banks a movement intended to bring about, if possible, the extension to its logical conclusion of the principle recognized in 1890 by the establishment of the fund for the redemption of failed banks' notes. The initial advance had been to make the banks the joint guarantors of each others' notes; the next step, it was believed, should be to give the banks a measure of joint control over the issue, circulation, withdrawal and destruction of notes. The possibilities of the original suggestion developed under discussion; it is not too much to say that in a union for insuring the security of their circulation there finally appeared the beginnings, at any rate, of common effort toward encouraging and, if need be, enforcing the general observance of high standards of banking, the maintenance of adequate reserves, the prevention of frauds in the issue, and the administration of insolvent banks' estates to the best interest both of their creditors and of those who held their shares.

As the instrument of these purposes, the bankers suggested the Canadian Bankers' Association, a voluntary organization formed in 1892, for the common benefit and protection of the banks. Chartered banks were its members; its associate members, bank officers and bank clerks. In meetings of the association members were

represented by their chief executives for the time being; between meetings, the interests of the organization were watched, and its affairs managed, by an executive council whose liberty of action, subject, of course, to approval of the association at the annual meetings, was as wide as could be desired. In the session of 1900 Parliament gave this voluntary association the status of a public corporation in a special act and with the declared object "to promote generally the interests and efficiency of bank officers and the education and training of those contemplating employment in banks, and for such purposes, among other means, to arrange for lectures, discussions, competitive papers and examinations on commercial law and banking, and to acquire, publish, and carry on the *Journal of the Canadian Bankers' Association.* (63–64 Vic., c. 93.)

Power was accorded the association to establish subsections, to establish a clearing house for banks in any place of the Dominion, and to make rules and regulations for the conduct of clearing houses, but with the provisos that membership in a clearing house should be voluntary, that members of such organizations should have equal voice in making the rules and regulations, and that no such provisions should become effective until approved by the treasury board. "The objects and powers of the association," declared the act of incorporation, "shall be carried out and exercised by the executive council," or under norms fixed by the council. Fourteen chief executives of chartered banks, and the president and vice-president of the association, as elected at the annual meetings, made up the executive council. Resolutions, by-laws, rules,

and regulations passed by the executive council had force only until approved at the next meeting of the association and none thereafter if not approved. By-laws affecting clearing houses were of no effect until approved by the treasury board.

Further powers and functions were confirmed to the association in the measure by which the several charters were continued to 1911—the bank act itself. (63–64 Vic., c. 26.)[a] There the means were provided for taking away the control, or, at any rate, the unsupervised control of a suspended bank from its officers directly a default occurred. Under such by-laws as it might adopt the association was authorized to appoint some competent person a "curator," to supervise the property and conduct of a suspended bank. His duty was to "assume supervision of the affairs of the bank" and arrangements for the payment of outstanding notes. Generally, he was to have the powers and to take the steps necessary or expedient to protect the creditors and shareholders of the bank and to conserve and properly to dispose of its assets. Toward these purposes the curator was given access to all books and papers, documents and accounts, and was to remain in office until removed, or until the bank resumed business, or until a liquidator had been appointed for the purpose of winding it up. Under the act of 1890, as under that of 1871, a bank might suspend payment for ninety days consecutively or within the year without becoming insolvent or forfeiting its charter. The presence of a curator directly any bank suspended became especially

[a] See Appendix II for the Bank Act as revised in 1890, amended in 1900, and consolidated in 1906.

desirable as precaution against note issue during suspension. Resort to this practice, which would enable favored depositors to convert their claims into prior liens, had been prohibited in previous legislation only by the clauses against giving undue, unfair, or fraudulent preferences. Now, the law forbade it specifically by a fine of $2,000 or imprisonment for seven years, or both. Henceforth a bank once suspended had no right to resume business until the curator had given his consent in writing or to issue notes again until authorized by the treasury board so to do. The removal of a curator, no less than his powers and duties, was subjected to such rules as the association might prescribe. His remuneration as fixed by the association was made a charge upon the assets of the bank to the supervision of which he might be assigned.

Besides its duties in respect of suspended banks, the Bankers' Association was given more or less inquisitorial powers as against banks which were going concerns. It was permitted at any meeting to make by-laws, rules, and regulations respecting "the supervision of the making of the notes of the banks which are intended for circulation, and the delivery thereof to the banks, the inspection of the disposition made by the banks of such notes, the destruction of the notes of the banks, and the imposition of penalties for the breach or nonobservance of any by-law, rule, or regulation made by virtue of this section." But before any by-law or rule concerning either the appointment, powers, duties, and removal of a curator, or the exercise of supervising privileges in respect of the circulation could become effective, it was stipulated the measure should receive the approval of two-thirds of the

banks represented in the meeting at which it was put to vote, the banks so approving having two-thirds in par value of the paid-up capital represented. Nor could it become effective then, except that it was approved by the treasury board, after submission to every bank not a member of the association, and opportunity given such banks to be heard with respect to the measure.

By way of acknowledging a tendency, long more or less perceptible, toward the merger of the smaller, and in a great degree local banks into the larger and more heavily capitalized institutions of the system, parliament added to the bank act in 1900 a set of general provisions permitting and regulating the merger of banks, upon agreement to that effect between the shareholders of the selling and the management of the buying corporation concerned. The need for special act of parliament to complete the bargain thereafter disappeared. The main preliminaries were now reduced to a proposal of purchase, consent of the holders of two-thirds of the shares of the selling bank, and the approval of the governor-in-council given on recommendation of the treasury board. Strict precautions were established for meeting the liabilities of the vendors; but the purchasing bank might execute the agreement of sale under its seal without special consultation of its shareholders, except in the case that the merger involved an increase of the buying bank's capital stock.

One other change made at this time suggested in some ways the proposal for a shareholders' audit, which parliament had refused to accept two years before. No specific mention of an audit occurred now, but it was provided,

while safeguarding the privacy of personal accounts, that the directors of a bank should submit at annual meetings such further statements, other than those presenting the details already stipulated in the act, as the shareholders might require by by-law passed in any general meeting. The specific prohibition, on heavy penalties, of note issue during suspension has already been remarked. Better to adjust that rate to the current market, the rate of interest borne by a suspended bank's notes such time as they could not be redeemed, was reduced from 6 to 5 per cent. To protect the Dominion treasury, amounts paid out of the safety fund in excess of the contribution of a failed bank were made to bear interest at 3 per cent until repaid out of the estate to the minister of finance. The limit within which a bank must dispose of real property, other than bank premises, was extended from seven to twelve years. Realty held for a term longer than twelve years after it was acquired in complete or partial satisfaction of a debt became liable to forfeiture to the Crown, but only after six months' notice from the minister of finance that the Crown proposed to claim the forfeiture. Within that half year the bank could still give good title to the property. Clauses dealing with loans upon special security were amended in favor of the import trade, so that the banks might take warehouse receipts or bills of lading as security for liabilities incurred on behalf of persons to whom had been issued letters of credit. To the unpaid balances and unpaid dividends which were already the subject-matter of an annual return was added to the category of drafts and bills of exchange issued and outstanding for more than five years. Finally, the form of

the monthly statement of condition was so amended as to distinguish between deposits in Canada and elsewhere, to include the amount of bills rediscounted in the item of "loans from other banks in Canada, secured," and to show separately balances due to banks or agencies in Canada, in the United Kingdom, and elsewhere. For these changes upon the liabilities side of the form there were corresponding changes upon the assets side. Headings also were introduced to distinguish between call and short loans in Canada and current loans in Canada, from similar investments elsewhere.

The Canadian Bankers' Association, acting under its new charter, promptly prepared a set of by-laws for carrying out the provisions of its incorporation and of the bank act. As amended in April, 1901, they were approved by the treasury board and came into effect according to law. A copy of the by-laws, which include a set of uniform clearing-house rules, substantially identical with those the preparation of which had been begun in 1897, appears in Appendix VII. While the document was largely formal in character, there were embodied in it two groups of provisions in which the procedure merely suggested by the bank act was more fully developed. One such group was that which determined the fashion in which the association should exercise its supervision over the issue and circulation of notes.

In brief, a monthly return of circulation, properly verified, was required of each chartered bank doing business in the Dominion, whether a member of the association or not. The form of the return included separate headings for the credit balance of bank-note accounts on the last

day of the preceding month, inclusive of unsigned notes, notes received from printers during the month, notes destroyed during the month, balance of bank-note accounts on the last day of the month, notes on hand, whether signed or unsigned, and the notes in circulation on the last day of the month. The form of certificate setting forth the destruction of notes in the period covered by any return called for a statement of the amount and denominations, and for the attest or signature of three of the directors and of the general manager of the reporting bank. Neglect to send in the report of circulation within the first fifteen days of the month succeeding was penalized by a fine of $50 for each day's delay. Upon the executive council of the association was conferred the power by resolution at any time to direct an inspection of the circulation account of any bank. Further, an annual inspection of the circulation account of every bank of issue in Canada was provided for, and a report of the results to the council, all officers of banks under inspection being obligated to give the inspector of circulation such information and assistance as he might ask. It was also required that printed statements of the circulation returns of all the chartered banks should be forwarded each month to the chief executive of every bank in the Dominion. In the practical conduct of this scheme of inspection and verification, the returns of the banks as to new notes received have been checked up against returns of notes delivered which the bank-note engravers have agreed to furnish.

In the clauses respecting curators the by-laws directed that the remuneration of the curators for services, expenses,

and disbursements should be fixed from time to time by the executive council. They further directed that in the case of suspension of payment by a bank and the appointment of a curator to supervise its affairs, the president of the association should also appoint a local advisory board, selected, as far as possible, from the higher officers of banks situate in the place of the suspended bank's head office. It became the duty of the curator to advise with this board from time to time, and to obtain the approval of the board before taking any important step in connection with his duties.

Apart from the supervision of circulation accounts thus established and the more exact determination of the procedure in case of suspension, the Canadian Bankers' Association does not appear to have made much effort to develop the functions acquired or to extend the field of activity opened by the legislation of 1900. The report of proceedings of the annual meeting, which had previously been published in the *Journal* of the association and the newspapers of the day with a degree of fulness which made it practically complete, was condensed in 1903 to the baldest sketch. Reports of later meetings were omitted from the journal altogether. The project of competitive papers, discussions, lectures, and examinations seems, for some years, at any rate, to have been abandoned. Already in 1903 a committee, appointed for the purposes of inquiry, reported that they "had failed in arousing sufficient interest to warrant proceeding for the present with the formation of an institute."

While it was still a voluntary organization and not yet, in a sense, a recognized organ of administration, the

association's efforts were exerted as far as they might be exerted properly, against careless or too liberal insolvency legislation, projects of provincial law injuriously affecting the banks, and the incorporation of loan companies authorized to receive deposits on current account. As an organization, also, the association sought to bring about uniformity in the rate of interest paid upon deposits payable after notice or in savings bank departments, and the reduction of the rate of interest paid by the post-office and government savings banks. A system of bank money orders was devised and established in an effort to meet the competition of the express companies in remittance of minor sums. For some time, but in the end to no purpose, the association opposed the establishment of a branch of the royal mint in the Dominion. In response to a widespread demand, stimulated by the Yukon gold production and by the growth of a national self-consciousness, the government decided in 1901 to appropriate $75,000 a year to the construction and up-keep of a mint, and by so much to reduce the profit by seigniorage upon silver coin, the average of which, in the preceding decade, had been some $94,000 a year. On the other hand, the association had been successful in efforts to induce the government to prepare, at the banks' expense, to be sure, quantities of Dominion notes of large denomination, transferable only between the banks and intended for use in settlements or for the service of their reserves. It is a fair inference that notwithstanding the more informal procedure at meetings and the measure of secrecy maintained as to the nature

of its activities, the efforts of the association since 1902 have been spent in much the same direction as before.

Whether taken year by year, or viewed as a whole, the history of the banks acting under Dominion charter through the years 1889–1908 presents no more striking feature than the extraordinary growth of the banks in point of resources and strength. In capital alone the expansion was from $60,289,910 in December, 1889, to $96,457,573 in December, 1908; in rest (surplus) from $20,371,332 to $74,427,630; in circulation from $33,577,700 to $73,058,234; in total deposits, from $133,977,011 to $722,769,156; and in discounts, loans, and advances, from $170,250,693 to $546,079,996. The details of this development, condensed from the monthly return to the government to a form like that in which statistics of banking elsewhere have been arranged, are presented year by year in Appendix V. The explanation of the growth, of course, is to be sought in the thousand and one achievements of advance which have marked the economic movement of Canada the past two decades—the increase of product from farm and forest, fishery, and mine, the systematic elaboration of the railway network, the rise of Canadian credit and the influx of foreign and British funds, the powerful impulse given to industry the past ten years, the swift extension of settlement and cultivation over the virgin wheat fields of the Northwest, the heavier immigration consequent upon the practical exhaustion of the free lands of the United States, the enormously larger trade stimulated by the growth of buying power in agriculture, transportation, and com-

merce, and the augmentation in every direction of the activities of exchange. These were large movements, not yet anywhere adequately described, except in existing sources for some future historian, and not yet, perhaps, sufficiently remote wholly to be understood. But so far as can be judged now, the forward movement of the banks was neither markedly greater nor conspicuously less than the general progress in which they participated and toward which they helped.

From 1889 to 1899 the number of banks remained practically stationary at 38; in the ten years there was scarcely more than $2,000,000 capital added to their paid-up stock. Rest accounts, however, were augmented by upward of $9,000,000, and the number of branches within the Dominion from 402 to 663. The banks succeeded, moreover, in doing a considerably heavier business upon but slightly enlarged proprietors' funds. The proportion of capital and rest to total liabilities, 46.98 per cent in 1889, fell to 27.84 at the end of 1899, although the net distribution by way of dividends amounted to but 5.17 per cent upon these funds as against 5.65 per cent ten years before.

In these figures are suggested two of the most conspicuous and closely related phases of the banking movement in all these later years—the fall in banking profits measured by the unit of service, and the wide extension of the territorial distribution of the banks. The explanation of both these phases, and to no inconsiderable extent, also, the cause of them, is undoubtedly to be found in a single factor—competition. It might be, indeed it fre-

quently is argued, that between a few large banks, managed from two or at most three centers, banks whose executives are in easy reach of each other to arrange such means to temper the strife for business as a monopolistic age might suggest, competition is a factor the influence of which may safely be ignored. And it is often pointed out that since all banks, or practically all banks, allow but 3 per cent interest upon deposits, and generally charge 6 per cent upon commercial and industrial loans, even in the settled districts of the East, there is additional reason for reckoning competition a myth. The fact is, however, that instead of rate cutting in respect of these particulars, the characteristic competition between Canadian banks has appeared in efforts to outdo each other in the facilities offered, it may be the waiver of collection and agency charges—thus sadly impairing the minor profits of a bank—or it may be in the amount of accommodation offered, the ease and convenience of access to the source of loans or office of deposit. Otherwise, it could not be expected that from the provision of one office for every 11,770 of population, the banks would reduce the ratio to one office for every 2,982, as they have reduced it between 1889 and 1908. Otherwise, moreover, it would be unlikely that, with combined capital and rest equal to but 20.82 per cent of their total liabilities in 1908, as compared to 30.32 per cent in 1898 and 46.98 per cent in 1889, they should be dividing but 4.81 per cent upon proprietors' funds now, or more than eight-tenths per cent less than they were dividing in 1889. To such lengths has competition for deposits proceeded, that in latter years it is not uncom-

mon for the older and larger banks to establish new branches for the sake of $250,000 to $400,000 in prospective deposits and the discount business incidental to a community with such a store of savings, while the newer and smaller banks have been known to open offices with scarcely $150,000 of deposits and but precarious prospect of improvement in sight. Competition for deposits, in the first instance, and, secondarily, competition for good chances to lend such deposits, has been the main cause for the five-fold multiplication of chartered bank offices in less than twenty years. The same competition has been of potent influence upon the movement of discount charges and interest rates. In all this time, the difference in discount rates between communities of comparable population and borrowings, but of different distance from the financial centers, has not exceeded 1½ or 2 per cent. At the very frontier of settlement or development, where difficulty of access, the cost of maintaining an office, or the small volume of business available make the cost of banking service high, interest is naturally charged at a considerably higher rate than where banking may be conducted at something like a normal expense, though the advance of rate is seldom in proportion to the enhancement of cost. More accurately to indicate the geographical distribution of banking facilities and the consequent advance toward a perfect diffusion of the country's loan fund, there is presented in Appendix IX a table showing the increase of branches in the several provinces since 1889. The number in operation by the several chartered banks since

confederation, at intervals of five years, is shown in the table herewith:

	1869.	1874.	1879.	1884.	1889.	1894.	1899.	1904.	1908.
Ontario	100	148	188	174	231	263	321	549	918
Quebec	28	39	45	50	60	102	113	196	311
New Brunswick	6	11	13	30	32	29	34	49	58
Nova Scotia	13	27	34	51	47	58	74	101	104
Prince Edward Island	0	0	8	10	6	6	9	10	16
British Columbia	0	4	4	3	9	12	41	55	103
Manitoba	0	1	3	15	13	24	50	95	162
Northwest Territories	0	0	0	2	4	8	19	87	252
Yukon	------	------	------	------	------	------	2	3	3
All Canada	147	230	295	335	402	513	663	1,145	1,927

On December 31, 1908, the 1,927 offices were in 1,054 different places, as compared to 465 offices in 259 different places fifteen years before. Apart from their domestic establishments the banks had been steadily adding to their offices and agencies abroad. At the end of 1908, these outposts had reached the number of 50, 5 being in Newfoundland; 3 in London, England; 1 in France; 1 in Mexico; 16 in the United States; and 24, the establishments of 3 different banks, in Cuba, Jamaica, Porto Rico, and Trinidad.

No clearing house was established in the Dominion until 1887, when the bankers of Halifax first organized to this end. Prior to that time the daily exchanges and settlements were effected by the laborious and tedious method of adjustments between bank and bank. The volume of transactions for settlement, of course, had always been smaller than what would be expected of a system of an equal number of banking offices, each under independent

control. The settlement between two or between all the branches of the same bank, of course, would be effected in the books of that bank, and is so still, independently of the clearing house. The table of clearings presented in Appendix VIII, therefore, furnishes no just basis for a comparison of Canadian trade and finance, to the volume of business in a community working with numerous local banks. Too much is set off in Canada before the exchanges are ever sent to the clearing house, to permit the actual magnitude of the business to appear.

Following the example of Halifax, similar arrangements were established in Montreal in 1889 and in Toronto and Hamilton in 1893. The clearing houses of Victoria and Vancouver were established in 1898, that of St. John in 1896, those of Ottawa and Quebec in 1901, and of London in 1902. From the year 1903, when the statistics for all these cities first became complete, to 1908, the increase of clearings was from $2,689,823,000 to $4,038,808,000.

For ten years, between May 16, 1890, and May 23, 1901, no charter passed the Canadian Parliament for the incorporation of a new bank. The bill approved on the earlier date, being the first charter since 1886, was never used by those who obtained the grant. But with the more rapid broadening of the opportunities, or what men believed were opportunities, for new ventures in the banking field which appeared shortly after the turn of the century, applications for charters and bills to grant them engaged the attention of Parliament at practically every session. Between 1901 and 1908 no less than twenty-one new bank charters were passed, and authority given for $54,500,000 subscribed stock. Eight corporations out of the twenty-

one succeeded in raising the capital required before they might open a bank; the authorized capital for these eight amounted to $16,000,000. The capital actually paid up of the six banks started since 1901 and still doing business was $6,000,277 on December 31, 1908. The paid-up capital of $96,457,573, shown as the total in the report of chartered banks on that date, included $3,000,000 of a bank in liquidation. To the extent of $23,432,848, therefore, the increase of banking capital of practically $30,000,000 effected in the ten years 1898–1908 consisted of sums called up by the older banks, practically all of it issued at premiums to correspond to the book values of existing shares.

Small as were the sums collected for new ventures, compared to the contributions to older banks, the mere number of charter grants makes it difficult to believe that anything in the way of a legal monopoly of chartered rights is maintained by the government or parliament of Canada in favor of the banks already in existence. Between 1868 and 1880, as has been seen, thirty charters were granted to new projects; between 1882 and 1888, thirteen; between 1890 and 1908, twenty-two. The total is sixty-five; the number of Dominion bank charters not forfeited for nonuser since 1867 is thirty-two. Entry to the field of issue banking, it would appear, is free in Canada to whomsoever cares to enter it, provided only that his standing is not discreditable and that he or his backers have the cash. If the newcomer, once chartered and established, finds his way beset with difficulties, the circumstance is to be explained, not by any monopoly which his older competitors enjoy, but rather by their

hold upon the confidence of their clientele, and their possession of a volume of business which enables them to serve their customers at rates the profit in which, derived from transactions of smaller bulk, would be consumed for the most part by expense.

While new banks were being added, old names were being stricken off the Canadian roll. One movement of considerable significance has been the merger, mostly of the smaller banks or corporations to whose activity rather narrow geographical bounds had been set, into institutions which avowedly limit their operations to nothing short of the Dominion, and the international banking relations which may grow out of the country's foreign trade. Three such banks, the Bank of British Columbia (first established under royal charter), the Halifax Banking Company (the incorporated successors of the private bank of issue founded in Nova Scotia in 1825), and the Merchants' Bank of Prince Edward Island, were taken over by the Canadian Bank of Commerce in 1900, 1903, and 1906, respectively, in exchange for stock in the buying bank. In 1903 the Bank of Montreal bought the Exchange Bank of Yarmouth, in 1905 the People's Bank of Halifax, and in 1906 the People's Bank of New Brunswick. The Western Bank of Canada was taken over by the Standard Bank in 1908. The Northern and the Crown banks, chartered, the one in 1903 and the other in 1902, joined forces under the new name of the Northern Crown Bank in 1908. Another bank, first chartered by the province of Prince Edward Island, the Summerside Bank, was sold to the Bank of New Brunswick; the Commercial Bank of Windsor (Nova Scotia),

to the Union Bank of Halifax (1902). What with an earlier merger, that of the Union Bank of Prince Edward Island with the Bank of Nova Scotia in 1883, failures, and voluntary liquidation, the number of corporations directed from head offices in the maritime provinces has been reduced in twenty years from sixteen or more to four. The St. Stephens Bank and the Bank of New Brunswick are the only banks in the country, the history of which runs further back than 1900, which report capitals of less than a million dollars each. The St. Stephens Bank, with its paid-up stock of $200,000, remains the only surviving example of the small local banks which were more or less typical of the credit organization of the maritime provinces for many years. Two of the banks domiciled in Nova Scotia and one which formerly had its head office in Halifax have added so much to their resources and so many to their branches that in these particulars they present no contrast to the banks of widely extended operations characteristic of Ontario or Quebec.

Six of the banks acting under Dominion charter have failed since 1889; two others, now in process of winding up, have been obliged by heavy losses to withdraw from business, although, through the help of other banks, it has been possible to conduct their liquidation with open doors. The first of the failures, attributable to ill-advised or incapable administration of the bank's lending resources, and first also in point of time, was that of the Commercial Bank of Manitoba, with its head office in Winnipeg, July 3, 1893. On the date of failure the liabilities amounted to $1,344,269 and the nominal assets

to $1,954,167. Its note circulation, partly as the result of heavy withdrawals by depositors, preceding the failure, had run up to $419,485, the paid-up capital being then but $552,650. Ultimately the depositors and other creditors, as well as the note holders, were paid in full. Better to realize upon certain assets through giving the debtors more time than was originally agreed, the liquidator of the bank arranged with other banks, sometime competitors of the Commercial, for a slight extension of the period—sixty days after suspension—within which redemption of all outstanding notes should have been offered. Upon notes the redemption of which was deferred the liquidator continued to pay at the rate of 6 per cent. All but two-fifths of the circulation outstanding had been redeemed by the end of September, and all but a fifth by the end of November. The fact that the other banks accepted the notes of the failed bank freely at par relieved the public of both inconvenience and concern. From the day of suspension on, the notes of the Commercial Bank of Manitoba passed at the value inscribed on their face. The efficacy of the bank circulation redemption fund as a guaranty not only of the ultimate security, but also of the immediate convertibility of bank-note issues, thus established on the occasion of its first trial, has been demonstrated time and again, and in respect of the circulation even of such fraudulently looted concerns as the Banque Ville Marie or the Banque de St. Jean.

Notwithstanding a history that ran back to 1835, and an abundant experience of the mistakes by which prudent bankers might well have been warned, the

Banque du Peuple found itself obliged to suspend on July 16, 1895. At first it was hoped that resumption could be undertaken within the statutory term. Inquiry developed the existence of overdrafts owing by directors and others to more than 20 per cent in excess of the bank's paid-up stock. The general shareholders in this bank, it will be remembered, were liable only to the amount of their subscriptions. From these, of course, nothing further could be collected, and under the terms of a compromise, the reasons for which are somewhat obscure, but $300,000 were collected upon the joint, several, and unlimited liability of the principal partners. Under the prior lien the note holders—$787,000 in round numbers was the sum of their claim—obtained payment in full. Other creditors for $6,713,000 received but 75¼ per cent and thus lost, over and above interest and discounts accepted in anxious or precipitate realization, some $1,660,000.

Worse yet, in point of the inadequacy of the assets involved, was the failure of the Banque Ville Marie. Criminal prosecutions were undertaken by the Crown against officers of this bank, and in three of the suits the court took the view that the management had committed gross frauds, sending the general manager and cashier to the penitentiary and releasing another officer on suspended sentence. The note holders were paid in full, but the depositors realized only 17½ per cent on their claims, the total liabilities at suspension, July 25, 1899, being $1,951,346. Another French bank, in the administration of which corruption and criminal fraud were revealed by judicial inquiry, the Banque de St. Jean, failed April 28,

1908—the Ville Marie had a capital of $479,620 at suspension; this concern but $316,386. To the extent of nearly $600,000 its resources had been squandered upon most precarious and unpromising ventures, in great part to the personal speculations of the president. On April 30, 1908, its notes in circulation were $219,334.

No loss was suffered by creditors on such claims, but whether anything whatever is paid to creditors other than the government (the government claim was $43,016) depends upon what success may follow the efforts of the liquidator to collect the double liability from holders of the stock. A number of the shareholders are resisting the liquidator in the courts. The deposits, other than government deposits, amounted at the time of failure to $296,988.

As a consequence of loans to one firm out of all proportion to its own means, the Bank of Yarmouth, one of the more or less local banks domiciled in Nova Scotia, was obliged to close its doors March 6, 1905. A considerable recovery after their failure from the assets of the bank's principal debtors made it possible to pay off depositors as well as note holders in full. The sums involved were not large at the worst, the total assets of the bank at the time of its failure, March 6, 1905, being $820,143, and its liabilities on all scores, except capital stock ($300,000) but $479,323.

In the spring of 1908 the fact that the Banque de St. Hyacinthe was under large advances to the Southern Counties Railway became generally known and, in the form that the information gained currency, raised doubts as to the liquid condition of the bank's assets. The rail-

way was sold to the Delaware and Hudson Company, the money for it paid into court. Pending the result of certain suits a considerable proportion of the bank's resources was locked up. On June 23 the bank was obliged to suspend payment. Apart from a capital stock of $331,235, it had liabilities at the time of suspension of $1,182,362; its nominal assets were $1,580,097; the notes in circulation were about $250,000. These, of course, were promptly redeemed; a dividend of 25 per cent has already been paid depositors, and if the issue of the pending litigation is at all favorable to the bank, as there is ground to believe it will be, it is likely that the depositors will be paid the whole sum of their claims.

The record of Canadian bank mortality for recent years, thus far set forth, has been concerned with the troubles of comparatively small and more or less insignificant members of the system. The reason for this is close at hand—none but small banks have failed. In point of indebtedness involved or of probable loss to the shareholders, however, two other bank disasters of this period, in neither of which the threatened bank was permitted to go to failure, were more serious than any yet detailed. One of these was the collapse of the Ontario Bank, first organized in 1857, on October 13, 1906. A general manager, later sentenced to the penitentiary, had been put in charge of the bank some years earlier, in the hope that he would be able to restore to the institution the prestige and resources lost through the ill-advised and injudicious administration of the bank's assets under his predecessor. One way the new man set about to compass this task was to speculate with the bank's funds and on the bank's behalf in its own stock

and in the shares and other securities handled on the New York Stock Exchange. In the course of transactions amounting to more than $100,000,000, between 1898 and 1906, he incurred losses of $1,500,000. Over $230,000 was lost in the effort to support by purchase the local market for the shares of the bank. Some $233,000 was subsequently lost in realizing upon securities bought in New York. The certainty of the bank's going into bankruptcy, unless something were done, became clear on October 12, 1906. The executives of the larger and stronger institutions were unwilling that an estate with liabilities of $15,229,685, and nominal assets of $17,432,177, should be liquidated otherwise than with open doors. The Bank of Montreal accordingly agreed to take over the assets and assume the liabilities of the Ontario Bank, on conditions that provided for other banks standing part of the loss should the assets finally appear to be less than the debts. Nearly three years were spent in winding up the estate. The capital stock and rest of $2,200,000 were both absorbed in spite of the realization of 92.58 per cent upon loans and overdue debts amounting on October 12, 1906, to $13,116,000. Note holders were paid in full, and depositors either got the face of their claims or accepted instead the obligations of the Bank of Montreal. The shareholders, however, have been asked to contribute $576,000 upon their liability, in case of insolvency, to pay additional sums equal to the par value of their subscribed stock. Whether they do so pay depends upon the issue of suits now pending before the courts.

Established in 1901, and thus one of the first of the new banks to be organized in the latest period of marked

prosperity, the Sovereign Bank of Canada shortly acquired standing, or at any rate attention, as one of the most aggressive, energetic, and seemingly successful of the younger institutions in the field. As the result of systematic efforts on the part of its executive, efforts the nature and ingenuity of which put them among the most diverting minor episodes of Canadian bank promotion a stately share of the bank's stock—a new issue of about a million and a half—was sold, partly to one of the leading financial houses of New York and partly to one of the German securities banks. With this help the capital of the Sovereign was raised to nearly $4,000,000; the rest, for the stock was put out at a premium, to $1,250,000. Thenceforward the game of expansion, both in volume of business and in number of offices, proceeded even more merrily than before. Events showed later on that much of the borrowers' business attracted to the bank was of a highly undesirable description; that in order to make an extraordinary showing the management had time and again accepted unjustifiable risks. Among the assets of twenty-five millions odd reported at the end of April, 1907, from some ninety branches there was paper so bad or so well-nigh hopelessly doubtful as to put the future of the bank and the property of the shareholders into the gravest kind of peril. A careful valuation of these assets undertaken by experienced officers of another bank convinced them, however, that by appropriating the whole of the rest and a million of the capital, losses already or likely to be incurred would be amply covered. Their recommendations were carried out.

With a new president, general manager, and inspector, and with a number of changes in the staffs of the branches, the bank was embarked upon the effort to conduct its business along saner and safer, if less enterprising, lines than before. But although these changes gave the bank a chance to effect a reduction of five millions in its total liabilities between April and December, 1907, they were yet insufficient either to restore confidence in the venture or to keep the bank on its feet as a going concern. The middle of January, 1908, bankers in Toronto and Montreal were asked to consult upon the Sovereign's plight. Primarily to avoid a shock to credit, but also to prevent embarrassment to numerous commercial depositors and discount customers at places where the bank had offices, twelve of the other banks undertook to supply ready cash in the sum of $3,750,000 to meet the Sovereign's immediate needs. They also undertook to liquidate the bank's assets and to assume its liabilities. Such loss as might occur in the process was to be borne by the guaranteeing banks in proportion to the amounts respectively pledged by them to the fund of cash. Involved in this voluntary liquidation were $18,594,357 of nominal assets and $15,544,534 of liabilities other than capital stock. For all purposes of the public the branches of the Sovereign Bank became on January 18, 1908, the offices of that particular one of the twelve guaranteeing banks by which they had been assumed or to which they had been alloted for the purpose of winding up. Somewhere between half and three-quarters of a million deficiency is not unlikely to appear in the final stages of the liquidation. Such a

sum, and considerably more, could be collected upon the double liability of solvent shareholders. So far as can be judged now, therefore, there is small prospect of any losses falling upon the guaranteeing banks.

APPENDIX I.

THE FIRST DOMINION BANK ACT.[a]

AN ACT Relating to banks and banking.

[34 Vict., chap. v.]

[Assented to 14th April, 1871.]

Whereas, it is desirable that the provisions relating to the incorporation of banks, and the laws relating to banking, should be embraced, as far as practicable, in one general act: Therefore, Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

1. The charters or acts of incorporation of the several banks enumerated in the schedule to this act (including any amendments thereof now in force) are continued as to their incorporation, the amount of capital stock, the amount of each share of such stock, and the chief place of business of each, respectively, until the first day of July, in the year of our Lord one thousand eight hundred and eighty-one, subject to the right of any such bank to increase its capital stock in the manner hereinafter provided; and as to other particulars the said charters are continued without being subject to any of the provisions of this act, except those contained in sections four, thirty-nine to fifty-four, both inclusive, and sixty to sixty-eight, both inclusive, until the first day of July, in the present year of our Lord one thousand eight hundred and seventy-one; and from and after the day last mentioned, the said charters are continued, subject to the provisions of this act,

[a] Acts of the Parliament of the Dominion of Canada, 1871. Ottawa, 1871. pp. 24-47

until the end of the then next session of Parliament; and from and after the end of such session this act shall form and be the charters of the said banks, respectively, until the first day of July, 1881, and the provisions thereof shall apply to each of them, respectively, and their present charters shall be repealed, except only as to the matters for which the said charters are above continued until the day last aforesaid.

2. The provisions of this act shall apply to any bank to be hereafter incorporated (which expression in this act includes any bank incorporated by any act passed in the present session or in any future session of the Parliament of Canada) whether this act is specially mentioned in its act of incorporation or not, as well as to all banks whose charters are hereby continued, but not to any other, unless extended to it under the special provisions hereinafter made.

3. The capital stock of any new bank, the amount of each share, the name of the bank, and the place where its chief office shall be situate, shall be declared in the act of incorporation of any bank to be hereafter incorporated.

GENERAL REGULATIONS.

4. The bank may open branches or agencies and offices of discount and deposit and transact business at any place or places in the Dominion.

5. The capital stock of the bank may be increased, from time to time, by the shareholders at any annual general meeting, or any general meeting specially called for that purpose; and such increase may be agreed on by such proportions at a time as the shareholders shall determine, and shall be decided by the majority of the votes of the shareholders present at such meeting in person or by proxy.

6. Any of the original unsubscribed capital stock, or the increased stock of a bank, shall, when the directors so determine, be allotted to the then shareholders of the bank

pro rata, and at such rate as shall be fixed by the directors, provided always that no fraction of a share shall be so allotted; and any of such allotted stock as shall not be taken up by the shareholder to whom such allotment has been made, within three months from the time when notice of the allotment has been mailed to his address, may be opened for subscription to the public, in such manner and on such terms as the directors shall prescribe.

7. No bank to be hereafter incorporated, unless it be otherwise provided by its charter, shall issue notes or commence the business of banking until five hundred thousand dollars of capital have been bona fide subscribed and one hundred thousand dollars have been bona fide paid up, nor until it shall have obtained from the treasury board a certificate to that effect, which certificate shall be granted by the treasury board when it is proved to their satisfaction that such amounts of capital have been bona fide subscribed and paid, respectively; and if at least two hundred thousand dollars of the subscribed capital of such bank has not been paid up before it shall have commenced business, such further amount as shall be required to complete the said sum shall be called in and paid up within two years thereafter, and it shall not be necessary that more than two hundred thousand dollars of the stock of any bank, whether incorporated before or after the passing of this act, be paid up within any limited period from the date of its incorporation.

8. The amount of notes intended for circulation, issued by the bank and outstanding at any time, shall never exceed the amount of its unimpaired paid-up capital. No such note for a less sum than four dollars shall be issued or reissued by the bank, and all notes for a less sum heretofore issued shall be called in and cancelled as soon as may be practicable.

9. The bank shall always receive in payment its own notes at par at any of its offices and whether they be made

payable there or not; but shall not be bound to redeem them in specie or Dominion notes at any place other than where they are made payable. The place, or one of the places, at which the notes of the bank shall be made payable shall always be its chief seat of business.

10. No dividend or bonus shall ever be made so as to impair the paid-up capital, and if any dividend or bonus be so made, the directors knowingly and willfully concurring therein, shall be jointly and severally liable for the amount thereof, as a debt due by them to the bank; and if any part of the paid-up capital be lost, the directors shall, if all the subscribed stock be not paid up, forthwith make calls upon the shareholders to an amount equivalent to such loss, and such loss (and the calls, if any) shall be mentioned in the return then next made by the bank to the government; provided that in any case where the capital has been impaired, as aforesaid, all net profits shall be applied to make good such loss.

11. No division of profits, either by way of dividends or bonus, or both combined, or in any other way, exceeding the rate of eight per cent per annum, shall be paid by the bank, unless, after paying the same, it shall have a rest or reserved fund equal to at least twenty per cent of its paid-up capital, deducting all bad and doubtful debts before calculating the amount of such rest.

12. Certified lists of the shareholders (or of the principal partners, if the bank be en commandite), with their additions and residences, and the number of shares they respectively hold, shall be laid before Parliament every year, within fifteen days after the opening of the session.

13. Monthly returns shall be made by the bank to the government in the following form, and shall be made up within the first ten days of each month, and shall exhibit the condition of the bank on the last juridical day of the month preceding; and such monthly returns shall be signed by the president or vice-president, or the director

(or, if the bank be en commandite, the principal partner) then acting as president, and by the manager, cashier, or other principal officer of the bank at its chief seat of business:

Return of the amount of liabilities and assets of the _____ bank, on the _____ day of _____, A. D. 18__.

[CAPITAL AUTHORIZED, $... CAPITAL SUBSCRIBED, $... CAPITAL PAID UP, $...]

LIABILITIES.

	$ cts.
1. Notes in circulation	
2. Government deposits payable on demand	
3. Other deposits payable on demand	
4. Government deposits payable after notice, or on a fixed day	
5. Other deposits payable after notice, or on a fixed day	
6. Due to other banks in Canada	
7. Due to other banks or agents not in Canada	
8. Liabilities not included under the foregoing heads	

ASSETS.

	$ cts.
1. Specie	
2. Provincial or Dominion notes	
3. Notes of and cheques on other banks	
4. Balances due from other banks in Canada	
5. Balances due from other banks or agents not in Canada	
6. Government debentures or stock	
7. Loans to the governments of the Dominion and of any of the provinces, respectively	
8. Loans, discounts, or advances on current account to corporations	
9. Notes and bills discounted and current	
10. Notes and bills discounted, overdue, and not specially secured	
11. Overdue debts secured by mortgage or other deed on real estate, or by deposit of or lien on stock, or by other securities	
12. Real estate the property of the bank (other than the bank premises) and mortgages on real estate sold by the bank	
13. Bank premises	
14. Other assets not included under the foregoing heads	

We declare that the foregoing return is made up from the books of the bank, and that it is correct to the best of our knowledge and belief.

(*Place*) this ____ day of _____, 18__.

A. B., *President, &c.*
C. D., *Cashier, &c.*

14. The bank shall always hold, as nearly as may be practicable, one-half of its cash reserves in dominion notes and the proportion of such reserves held in dominion notes shall never be less than one-third thereof.

15. Every bank to which this act applies shall be exempt from the tax now imposed on the average amount of its notes in circulation, to which other banks will continue liable, and from the obligation to hold any portion of its capital in government debentures or debentures of any kind.

16. The receiver-general shall make such arrangements as may be necessary for ensuring the delivery of dominion notes to any bank in exchange for an equivalent amount of specie at the several offices at which dominion notes will be redeemable, in the cities of Toronto, Montreal, Halifax, and St. John (N. B.), respectively.

INTERNAL REGULATIONS.

Shares and shareholders.

17. Books of subscription may be opened, and shares of the capital stock of the bank may be made transferable, and the dividends accruing thereon may be made payable, in the United Kingdom of Great Britain and Ireland, in like manner as such shares and dividends are respectively made transferable and payable at the head office of the bank; and to that end the directors may from time to time determine the proportion of the shares which shall be so transferable in the United Kingdom and make such rules and regulations and prescribe such forms and appoint such agent or agents as they may deem necessary.

18. The shares of the capital stock shall be paid in by such installments and at such times and places as the directors shall appoint, and executors, administrators, and curators paying the installments upon the shares of de-

ceased shareholders shall be and are respectively indemnified for paying the same: *Provided always*, That no share or shares shall be held to be lawfully subscribed for unless a sum equal to at least ten per centum on the amount subscribed for be actually paid at the time or within thirty days after the time of subscribing.

19. The shares of the capital stock of the bank shall be held and adjudged to be personal estate, and shall be assignable and transferable at the chief place of business of the bank, or at any of its branches which the directors shall appoint for that purpose, and according to such form as the directors shall prescribe; but no assignment or transfer shall be valid unless it be made and registered and accepted by the party to whom the transfer is made, in a book or books to be kept by the directors for that purpose, nor until the person or persons making the same shall, if required by the bank, previously discharge all debts or liabilities due by him, her, or them to the bank which may exceed in amount the remaining stock, if any, belonging to such person or persons, and no fractional part or parts of a share, or less than a whole share, shall be assignable or transferable; and when any share or shares of the said capital stock shall have been sold under a writ of execution, the sheriff by whom the writ shall have been executed shall, within thirty days after the sale, leave with the cashier, manager, or other officer of the bank, an attested copy of the writ, with the certificate of such sheriff endorsed thereon, certifying to whom the sale has been made, and thereupon (but not until after all debts or liabilities due by the holder or holders of the shares to the bank shall have been discharged as aforesaid), the president or vice-president, manager, or cashier of the bank, shall execute the transfer of the share or shares so sold to the purchaser; and such transfer being duly accepted, shall be to all intents and purposes as valid and effectual in law as if it had been executed by the holder or

holders of the said share or shares, any law or usage to the contrary notwithstanding.

20. A list of all transfers of shares registered each day in the books of the bank, showing the parties to such transfers and the number of shares transferred in each case, shall be made up at the end of each day and kept at the chief office of the bank for the inspection of its shareholders.

21. If the interest in any share or shares in the capital stock becomes transmitted in consequence of the death or bankruptcy or insolvency of any shareholder, or in consequence of the marriage of a female shareholder, or by any other lawful means than by a transfer according to the provisions of this act, such transmission shall be authenticated by a declaration in writing, as hereinafter mentioned, or in such other manner as the directors of the bank shall require, and every such declaration shall distinctly state the manner in which, and the party to whom, such shares shall have been transmitted, and shall be by such party made and signed; and every such declaration shall be by the party making and signing the same acknowledged before a judge of a court of record, or before the mayor, provost, or chief magistrate of a city, town, borough, or other place, or before a public notary, where the same shall be made and signed; and every declaration so signed and acknowledged shall be left with the cashier, manager, or other officer, or agent of the bank, who shall thereupon enter the name of the party entitled under such transmission in the registry of shareholders; and until such transmission shall have been so authenticated no party or person claiming by virtue of any such transmission shall be entitled to receive any share of the profits of the bank, or to vote in respect of any such share or shares: *Provided always*, That every such declaration and instrument as by this and the following section of this act is required to perfect the transmission of a share or shares in the bank

which shall be made in any other country than Canada, or some other of the British colonies in North America, or in the United Kingdom of Great Britain and Ireland, shall be further authenticated by the British consul or vice-consul, or other the accredited representative of the British Government in the country where the declaration shall be made, or shall be made directly before such British consul or vice-consul or other accredited representative: *And provided also*, That nothing in this act contained shall be held to debar the directors, cashier, or other officer or agent of the bank from requiring corroborative evidence of any fact or facts alleged in any such declaration.

22. If the transmission of any share of the capital stock be by virtue of the marriage of a female shareholder, the declaration shall be accompanied by a copy of the register of such marriage, or other particulars of the celebration thereof, and shall declare the identity of the wife with the holder of such share, and shall be made and signed by such female shareholder and her husband; and it shall be competent to them to include therein a declaration to the effect that the share transmitted is the sole property, and under the sole control of the wife, that she may receive and grant receipts for the dividends and profits accruing in respect thereof, and dispose of and transfer the share itself, without requiring the consent or authority of her husband; and such declaration shall be binding upon the bank and the parties making the same, until the said parties shall see fit to revoke it by a written notice to that effect to the bank; and further, the omission of a statement in any such declaration, that the wife making the same is duly authorized by her husband to make the same, shall not cause the declaration to be deemed either illegal or informal; any law or usage to the contrary notwithstanding.

23. If the transmissions have taken place by virtue of any testamentary instrument, or by intestacy, the probate of the will, or any letters of administration, or act of

curatorship, or an official extract therefrom, shall, together with such declaration, be produced and left with the cashier, or other officer or agent of the bank, who shall, thereupon, enter the name of the party entitled under such transmission, in the register of shareholders.

24. If the transmission of any share or shares of the capital stock of the bank be by the decease of any shareholder, the production to the directors and the deposit with them of any authenticated copy of the probate of the will of the deceased shareholder, or of letters of administration of his estate granted by any court in the Dominion having power to grant such probate or letters of administration, or by any prerogative, diocesan, or peculiar court or authority in England, Wales, Ireland, or any British colony, or of any testament testamentary or testament dative, expede in Scotland, or, if the deceased shareholder shall have died out of Her Majesty's dominions, the production to and deposit with the directors of any authenticated copy of the probate of his or her will or letters of administration of his or her property, or other documents of like import granted by any court or authority having the requisite power in such matters, shall be sufficient justification and authority to the directors for paying any dividend, or transferring, or authorizing the transfer, of any share or shares, in pursuance of and in conformity to such probate, letters of administration, or other such document as aforesaid.

25. Whenever the interest in any share or shares of the capital stock of the bank shall be transmitted by the death of any shareholder or otherwise, or whenever the ownership of or legal right of possession in any such share or shares shall change by any lawful means other than by transfer, according to the provisions of this act, and the directors of the bank shall entertain reasonable doubts as to the legality of any claim to and upon such share or shares of stock, then, and in such case, it shall be lawful

for the bank to make and file in one of the superior courts of law or equity in the province in which the head office of the bank is situated, a declaration and petition in writing, addressed to the justices of the court, setting forth the facts and the number of shares previously belonging to the party in whose name such shares stand in the books of the bank, and praying for an order or judgment adjudicating and awarding the said shares to the party or parties legally entitled to the same, and by which order or judgment the bank shall be guided and held fully harmless and indemnified and released from all and every other claim for the said shares or arising therefrom: *Provided always*, That notice of such petition shall be given to the party claiming such share or shares, or to the attorney of such party duly authorized for the purpose, who shall, upon the filing of such petition, establish his right to the several shares referred to in such petition; and the delays to plead and all other proceedings in such cases shall be the same as those observed in analogous cases before the said superior courts: *Provided also*, That the costs and expenses of procuring such order and adjudication shall be paid by the party or parties to whom the said shares shall be declared lawfully to belong, and such shares shall not be transferred until such costs and expenses be paid, saving the recourse of such party against any party contesting his right.

26. The bank shall not be bound to see to the execution of any trust, whether expressed, implied, or constructive, to which any of the shares of its stock shall be subject, and the receipt of the party in whose name any such share shall stand in the books of the bank, or, if it stands in the name of more parties than one, the receipt of one of the parties, shall be a sufficient discharge to the bank for any dividend or any other sum of money payable in respect of such share, unless express notice to the contrary has been given to the bank; and the bank shall not be bound

to see to the application of the money paid upon such receipt, whether given by one of such parties or all of them.

27. Each shareholder in the bank shall, on all occasions on which the votes of the shareholders are to be taken, have one vote for each share held by him for at least thirty days before the time of meeting. Shareholders may vote by proxy, but no person but a shareholder shall be permitted to vote or act as such proxy; and no manager, cashier, bank clerk, or other subordinate officer of the bank shall vote either in person or by proxy, or hold a proxy for that purpose. All questions proposed for the consideration of the said shareholders shall be determined by the majority of their votes; the chairman elected to preside at any such meeting of the said shareholders shall vote as a shareholder only, unless there be a tie, in which case (except as to the election of a director) he shall have a casting vote; and where two or more persons are joint holders of shares, it shall be lawful that one only of such joint holders be empowered by letter of attorney from the other joint holder or holders, or a majority of them, to represent the said shares, and vote accordingly; and in all cases when the votes of the shareholders are taken the voting shall be by ballot.

28. The shareholders in the bank shall have power to regulate by by-law the following matters incident to the management and administration of the affairs of the bank, viz: The qualification, and number of the directors, which shall not be less than five nor more than ten, and the quorum thereof; the method of filling up vacancies in the board of directors whenever the same may occur during each year; and the time and proceedings for the election of directors, in case of a failure of any election on the day appointed for it—the remuneration of the president, vice-president and other directors; and the closing of the transfer book during a certain time not exceeding fifteen days, before the payment of each semiannual divi-

dend: *Provided*, That no director shall hold less than three thousand dollars of the stock of the bank, when the paid-up capital thereof is one million dollars or less, nor less than four thousand dollars of stock when the paid-up capital thereof is over one million and does not exceed three millions, nor less than five thousand dollars of stock when the paid-up capital thereof exceeds three millions; the directors shall be elected annually by the shareholders and shall be eligible for re-election: *Provided*, That the foregoing provisions, touching directors, shall not apply to a bank en commandite, which shall in these matters be governed by the provisions of its charter. The shareholders (or if the bank be en commandite, the principal partners), may also regulate by by-law the amount of discounts or loans which may be made to directors (or if the bank be en commandite to the principal partners), either jointly or severally or to any one firm or person, or to any shareholder or to corporations: *Provided*, That until it is otherwise ordered by by-law under this section, the by-laws of the bank on any matter which can be regulated by by-law under this section shall remain in force, except as to the qualification of directors as to which they shall remain in force until the next annual general meeting of the shareholders, after the first day of July, 1871, after which no person shall be a director unless he possesses the number of shares hereby required or such greater number as may be required by any by-law in that behalf.

29. Any number not less than twenty-five of the shareholders of the bank who together may be proprietors of at least one-tenth of the paid up capital stock of the bank by themselves or by their proxies, or the directors of the bank or any four of them, shall have power at any time to call a special general meeting of the shareholders of the bank to be held at their usual place of meeting upon giving six weeks previous public notice, specifying in such notice the object or objects of such meeting; and if the object of

any such special general meeting be to consider of the proposed removal of the president, or vice-president, or of a director or directors of the said bank for maladministration or other specified and apparently just cause, then if a majority of the votes of the shareholders of such meeting be given for such removal, a director or directors to replace him or them shall be elected or appointed in the manner provided in the by-laws of the bank, or if there be no by-laws providing therefor then by the shareholders at such meeting; and if it be the president or vice-president who shall be removed, his office shall be filled up by the directors (in the manner provided in case of a vacancy occurring in the office of president or vice-president) who shall choose or elect a director to serve as such president.

President and directors.

30. The stock, property, affairs, and concerns of the bank shall be managed by a board of directors, the number to be fixed as herein provided, who shall choose from among themselves a president and vice-president; the directors shall be natural born or naturalized subjects of Her Majesty, and shall be elected on such day in each year as may be or may have been appointed by the charter or by any by-law of the bank, and at such time of the day and at such place where the head office of the bank is situate, as a majority of directors for the time being shall appoint; and public notice shall be given by the directors, by publishing the same at least four weeks in a newspaper of the place where the said head office is situate, previous to the time of holding such election; and the election shall be held and made by such of the shareholders of the bank as have paid all calls made by the directors and as shall attend for the purpose in their own proper persons or by proxy, and all elections for directors shall be by ballot, and the said proxies shall only be capable of being held and voted upon by shareholders then present, and the per-

sons, to the number fixed by by-law, as hereinbefore provided, who have the greatest number of votes at any election, shall be directors: *Provided*, That if it should happen at any election that two or more persons have an equal number of votes, and the election or nonelection of one or more of such persons as a director or directors depends on such equality, then the directors who shall have had a greater number, or the majority of them, shall determine which of the said persons so having an equal number of votes shall be the director or directors, so as to complete the full number; and in case of a vacancy occurring in the number of directors, such vacancy shall be filled in the manner provided by the by-laws, but the non-filling of the vacancy shall not vitiate the acts of a quorum of the remaining directors; and if the vacancy so created shall be that of a president or vice-president, the directors at the first meeting, after completion of their number, shall, from among themselves, elect a president or vice-president, who shall continue in office for the remainder of the year. And the said directors, as soon as may be after the said election, shall proceed in like manner to elect by ballot two of their number to be president and vice president: *Provided always*, That no person shall be eligible to be or continue a director unless he shall hold, in his name and for his own use, stock in the said bank to the amount hereinbefore provided.

31. In case it should happen that an election of directors should not be made on any day when it ought to have been made, the corporation shall not for that cause be deemed to be dissolved, but it shall be lawful on any other day to hold and make an election of directors in such manner as shall have been provided by the by-laws made by the shareholders in that behalf; and the directors then in office shall remain so until a new election shall be made.

32. At all meetings of the directors of the bank not less than three of them shall constitute a board or quorum for

the transaction of business; and at the said meetings the president, or in his absence the vice-president, or in their absence one of the directors present, to be chosen pro tempore, shall preside; and the president, vice-president, or president pro tempore so presiding shall vote as a director, and if there be an equal division on any question shall have a casting vote.

33. The directors for the time being, or a majority of them, shall have power to make such by-laws and regulations (not repugnant to the provisions of this act or the laws of the Dominion of Canada) as to them shall appear needful and proper touching the management and disposition of the stock, property, estate, and effects of the bank, and touching the duties and conduct of the officers, clerks, and servants employed therein, and all such other matters as appertain to the business of a bank, and shall also have power to appoint as many officers, clerks, and servants for carrying on the said business, and with such salaries and allowances as to them may seem meet; and they may also appoint a director or directors for any branch of the bank: *Provided always*, That before permitting any cashier, officer, clerk, or servant of the bank to enter upon the duties of his office, the directors shall require him to give bond or other security to the satisfaction of the directors for the due and faithful performance of his duties: *Provided also*, That all by-laws of the bank lawfully made before the passing of this act as to any matter respecting which the directors can make by-laws under this section (including any by-laws for establishing a guarantee fund for the employees of the bank) shall remain in force until they are repealed or altered by others made under this act.

34. The directors shall have power to make such calls of money from the several shareholders for the time being upon the shares subscribed for in the bank by them respectively as they may find necessary, and in the cor-

porate name of the bank to sue for, recover, and get in all such calls, or to cause and declare such shares to be forfeited to the bank in case of non-payment of any such call; and an action may be brought to recover any money due on any such call, and it shall not be necessary to set forth the special matter in the declaration, but it shall be sufficient to allege that the defendant is holder of one share or more, as the case may be, in the capital stock of the bank, and is indebted to the bank for a call or calls upon such share or shares in the sum to which the call or calls amount, as the case may be, stating the amount and number of such calls whereby an action hath accrued to the bank to recover the same from such defendant by virtue of this act; and it shall be sufficient to maintain such action, to prove by any one witness (a shareholder being competent), that the defendant, at the time of making any such call, was a shareholder in the number of shares alleged, and to produce the by-law or resolution of the directors making and prescribing such call, and to prove notice thereof, given in conformity with such by-law or resolution; and it shall not be necessary to prove the appointment of the directors or any other matter whatsoever; provided that such calls shall be made at intervals of not less than thirty days, and upon notice to be given at least thirty days prior to the day on which such call shall be payable; and no such call shall exceed ten per cent of each share subscribed.

35. Provided also, that if any shareholder or shareholders refuse or neglect to pay any or either of the instalments upon his, her, or their shares of the said capital stock at the time or times appointed by such call, as aforesaid, such shareholder or shareholders shall incur a forfeiture to the use of the bank of a sum of money equal to ten per centum on the amount of such shares; and, moreover, it shall be lawful for the directors of the bank (without any previous formality other than thirty days'

public notice of their intention), to sell at public auction the said shares, or so many of the said shares as shall, after deducting the reasonable expenses of the sale, yield a sum of money sufficient to pay the unpaid instalments due on the remainder of the said shares and the amount of forfeitures incurred upon the whole; and the president or vice-president, manager or cashier, of the bank shall execute the transfer to the purchaser of the shares of stock so sold; and such transfer being accepted, shall be as valid and effectual in law as if the same had been executed by the original holder or holders of the shares of stock thereby transferred: *Provided always*, That nothing in this section contained shall be held to debar the directors, or the shareholders at a general meeting, from remitting either in whole or in part, and conditionally or unconditionally, any forfeiture incurred by the nonpayment of instalments as aforesaid, or to prevent the bank from enforcing the payment of any call or calls by suit in lieu of forfeiting the same.

36. At every annual meeting of the shareholders for the election of directors, the outgoing directors shall submit a clear and full statement of the affairs of the bank, containing on the one part the amount of the capital stock paid in, the amount of notes of the bank in circulation and net profits made, the balances due to other banks and institutions, and the cash deposited in the bank, distinguishing deposits bearing interest from those not bearing interest—and on the other part, the amount of the current coin, the gold and silver bullion, and the amount of Dominion notes in the vaults of the bank, the balances due to the bank from other banks and institutions, the value of the real and other property of the bank, and the amount of debts owing to the bank, including and particularizing the amounts so owing upon bills of exchange, discounted notes, mortgages, and other securities—thus exhibiting on the one hand the liabilities

of, or the debts due by the bank, and on the other hand the assets and resources thereof; and the said statement shall also exhibit the rate and amount of the last dividend declared by the directors, the amount of reserved profits at the time of declaring the said dividend, and the amount of debts due to the bank, over due and not paid, with an estimate of the loss which will probably accrue thereon.

37. The books, correspondence and funds of the bank shall at all times be subject to the inspection of the directors; but no shareholder not being a director shall be allowed to inspect the account of any person dealing with the bank.

38. It shall be the duty of the directors of the bank to make half-yearly dividends of so much of the profits of the bank as to the majority of them may seem advisable and not inconsistent with the provisions of sections ten and eleven of this act; and to give public notice of the payment of such dividends at least thirty days previously.

POWERS AND OBLIGATIONS OF THE BANK.

Loans, interest, advances on warehouse receipts, &c.

39. The bank shall have the power to acquire and hold real and immovable estate for its actual use and occupation and the management of its business, and to sell or dispose of the same, and to acquire other property in its stead, for the same purposes.

40. The bank shall not, either directly or indirectly, lend money or make advances upon the security, mortgage, or hypothecation of any lands or tenements, or of any ships or other vessels, nor upon the security or pledge of any share or shares of the capital stock of the bank, or of any goods, wares, or merchandize, except as authorized in this act; nor shall the bank, either directly or indirectly, deal

in the buying and selling or bartering of goods, wares, or merchandize, or engage or be engaged in any trade whatever, except as a dealer in gold and silver bullion, bills of exchange, discounting of promissory notes and negotiable securities, and in such trade generally as appertains to the business of banking.

41. The bank may take, hold, and dispose of mortgages and hypothèques upon personal as well as real property, by way of additional security for debts contracted to the bank in the course of its business; and the rights, powers, and privileges which the bank is hereby declared to have or to have had in respect of real estate mortgaged to it shall be held and possessed by it, in respect of any personal estate which may be mortgaged or hypothecated to it.

42. The bank may purchase any lands or real estate offered for sale under execution at the suit of the bank, or exposed to sale by the bank under a power of sale given to it for that purpose, in cases where, under similar circumstances, an individual could so purchase, without any restriction as to the value of the lands which it may so purchase, and may acquire a title thereto as any individual purchasing at sheriff's sale or under a power of sale, in like circumstances, could do, and may take, have, hold, and dispose of the same at pleasure.

43. The bank may acquire and hold an absolute title in or to land mortgaged to it as security for a debt due or owing to it, either by obtaining a release of the equity of redemption in the mortgaged property, or by procuring a foreclosure in any court of chancery or of equity, or by other means whereby, as between individuals, an equity of redemption can by law be barred, and may purchase and acquire any prior mortgage or charge on such land.

44. Nothing in any charter, act, or law shall be construed as ever having prevented or as preventing the bank from acquiring and holding an absolute title to and in any such mortgaged lands, whatever the value thereof may be,

or from exercising or acting upon any power of sale contained in any mortgage given to it or held by it, authorizing or enabling it to sell or convey away any lands so mortgaged.

45. The words "goods, wares, and merchandize" when used in the six next following sections of this act, shall be held to comprise in addition to the things usually understood thereby, timber, boards, deals, staves, and other lumber, and also all agricultural produce.

46. The bank may acquire and hold any cove receipt or any receipt by a cove keeper, or by the keeper of any wharf, yard, harbor, or other place, any bill of lading, any specification of timber, or any receipt given for cereal grains, goods, wares, or merchandize stored or deposited in any cove, wharf, yard, harbor, warehouse, mill, or other place in Canada, or shipped in any vessel or delivered to any carrier for carriage from any place whatever to any part of this Dominion, or through the same or on the waters bordering thereon, or from the same to any other place whatsoever, and whether such cereal grains are to be delivered upon such receipt in species or converted into flour, as collateral security for the due payment of any bill of exchange or note discounted by such bank in the regular course of its banking business, or for any debt which may become due to the bank under any credit opened or liability incurred by the bank for or on behalf of the holder or owner of such bill of lading, specification, or receipt, or for any other debt to become due to the bank; and such bill of lading, specification, or receipt, being so acquired, shall vest in the bank from the date of the acquisition thereof all the right and title of the last previous holder thereof, and if such holder be the agent of the owner, within the meaning of the fifty-ninth chapter of the consolidated statutes of the late Province of Canada, then all the right and title of the owner thereof to or in such cereal grains, goods, wares, or merchandize, subject to his right to have the same re-transferred to him, if such bill,

note, or debt be paid when due; and in the event of the non-payment of such bill or note or debt when due, such bank may sell the said cereal grains, goods, wares, or merchandize and retain the net proceeds, or so much thereof as will be equal to the amount due to the bank upon such bill or debt or note, with interest and costs, returning the overplus, if any, to the person from whom such instrument was acquired by the bank.

47. No transfer of any such bill of lading, specification of timber, or receipt shall be made under this act to secure the payment of any bill, note, or debt, unless such bill, note, or debt be negotiated or contracted at the time of the acquisition thereof by the bank, or upon the understanding that such bill of lading, specification of timber, or receipt would be transferred to the bank, but such bill, note, or debt may be renewed, or the time for the payment thereof extended, without affecting such security.

48. Where any person engaged in the calling of cove keeper, keeper of a wharf, yard, harbor, or other place, warehouseman, miller, wharfinger, master of a vessel or carrier, curer and packer of pork, or dealer in wool, by whom a receipt or bill of lading may be given in such capacity, as hereinbefore mentioned, for cereal grains, goods, wares, or merchandize, is the same time the owner of or entitled himself (otherwise than in his capacity of warehouseman, miller, wharfinger, master of a vessel or carrier, cove keeper, keeper of a wharf, yard, harbor, or other place, curer and packer of pork, or dealer in wool) to receive such cereal grains, goods, wares, or merchandize, any such receipt or bill of lading or any acknowledgment or certificate intended to answer the purpose of such receipt or bill of lading, made by such person, shall be as valid and effectual for the purposes of this act as if the person making such receipt, acknowledgment, or certificate or bill of lading, and the owner or person entitled to receive such cereal grains, goods, wares, or merchandize were not one and the same

person, and in the case of the curing and packing of pork a receipt for hogs shall apply to the pork made from such hogs.

49. All advances made on the security of any bill of lading, specification, receipt, acknowledgment, or certificate shall give and be held to give to the bank making such advances a claim for the repayment of such advances on the grain, goods, wares, or merchandise therein mentioned, prior to and by preference over the claim of any unpaid vendor, any law, usage, or custom to the contrary notwithstanding.

50. But no timber, boards, deals, staves, or other lumber shall be held in pledge by the bank for any period exceeding twelve calendar months, except by the consent in writing of the person pledging the same, and no sale of any timber, boards, deals, staves, or other lumber shall be made under this act until nor unless notice of the time and place of such sale shall have been given by letter mailed in the post office to the last known address of the pledger thereof at least thirty days prior to the sale thereof, and every such sale shall be made by public auction after notice thereof by advertisement, stating the time and place thereof, in at least two newspapers published in or nearest to the place where such sale is to be made, and in every issue of such newspapers during eight days, which newspapers shall be those whose issue is most frequent at or nearest the place where the sale is to be made, and if such place be in the Province of Quebec, then at least one of such newspapers shall be a newspaper published in the English language, and at least one other of such newspapers shall be a newspaper published in the French language; and no cereal grains or goods, wares or merchandise, other than timber, boards, deals, staves, and other lumber, shall be held in pledge by the bank for a period exceeding six months (except by consent of the person pledging the same), and no sale thereof shall be made by

the bank under this act until or unless notice has been given by letter mailed in the post office to the last known address of the pledger thereof at least ten days prior to such sale.

51. The bank shall not make loans or grant discounts on the security of its own stock, but shall have a privileged lien for any overdue debt on the shares and unpaid dividends of the debtor thereof, and may decline to allow any transfer of the shares of such debtor until such debt is paid, and if such debt is not paid when due the bank may sell such shares, after notice has been given to the holder thereof of the intention of the bank to sell the same, by mailing such notice in the post office to the last known address of such holder at least thirty days prior to such sale; and upon such sale being made, the president, vice-president, manager, or cashier shall execute a transfer of such shares to the purchaser thereof in the usual transfer book of the bank, which transfer shall vest in such purchaser all the rights in or to such shares which were possessed by the holder thereof, with the same obligation of warranty on his part as if he were the vendor thereof, but without any warranty from the bank or by the officer of the bank executing such transfer.

And nothing in this act contained shall prevent the bank from acquiring and holding as collateral security for any advance by or debt to the bank, or for any credit or liability incurred by the bank to or on behalf of any person (and either at the time of such advance by or the contracting of such debt to the bank, or the opening of such credit, or the incurring of such liability by the bank), the shares of the capital stock of any other bank, the bonds or debentures of municipal or other corporations, or dominion, provincial, British, or foreign public securities; and such stock, bonds, debentures, or securities may, in case of default to pay the debt for securing which they were so

acquired and held, be dealt with, sold, and conveyed in like manner and subject to the same restrictions as are herein provided in respect of stock of the bank on which it has acquired a lien under this act.

52. The bank shall not be liable to incur any penalty or forfeiture for usury; and may stipulate for, take, reserve, or exact any rate of interest or discount not exceeding seven per centum per annum, and may receive and take in advance any such rate, but no higher rate of interest shall be recoverable by the bank. Any rate of interest whatever may be allowed by the bank upon money deposited with it.

53. The bank may, in discounting at any of its places of business, branches, agencies, or offices of discount and deposit, any note, bill, or other negotiable security or paper payable at any other of its own places or seats of business, branches, agencies, or offices of discount and deposit in Canada, receive or retain in addition to the discount any amount not exceeding the following rates per centum, according to the time it has to run, on the amount of such note, bill, or other negotiable security or paper, to defray the expenses attending the collection thereof; that is to say, under thirty days, one-eighth of one per cent; thirty days or over, but under sixty days, one-fourth of one per cent; sixty days and over, but under ninety days, three-eighths of one per cent; ninety days and over, one-half of one per cent.

54. The bank may, in discounting any note, bill, or other negotiable security or paper, bona fide payable at any place in Canada different from that at which it is discounted, and other than one of its own places or seats of business, branches, agencies, or offices of discount and deposit in Canada, receive and retain in addition to the discount thereon, a sum not exceeding one-half of one per centum on the amount thereof, to defray the expenses of agency and charges in collecting the same.

Bank notes, bonds, &c.

55. The bonds, obligations, and bills obligatory or of credit of the bank under its corporate seal and signed by the president or vice-president and countersigned by a chashier or assistant cashier, which shall be made payable to any person or persons, shall be assignable by endorsement thereon; and bills or notes of the bank signed by the president, vice-president, cashier, or other officer appointed by the directors of the bank to sign the same, promising the payment of money to any person or persons, his, her, or their order, or to the bearer, though not under the corporate seal of the bank, shall be binding and obligatory on it in like manner and with the like force and effect as they would be upon any private person, if issued by him in his private or natural capacity, and shall be assignable in like manner as if they were so issued by a private person in his natural capacity: *Provided always*, That nothing in this act shall be held to debar the directors of the bank from authorizing or deputing from time to time any cashier, assistant cashier, or officer of the bank, or any director other than the president or vice-president, or any cashier, manager, or local director of any branch or office of discount and deposit of the bank, to sign the bills of the bank intended for general circulation, and payable to order or to bearer on demand.

56. All bank notes and bills of the bank whereon the name or names of any person or persons entrusted or authorized to sign such notes or bills on behalf of the bank, shall or may become impressed by machinery provided for that purpose by or with the authority of the bank, shall be and shall be taken to be good and valid to all intents and purposes, as if such notes and bills had been subscribed in the proper handwriting of the person or persons entrusted or authorized by the bank to sign the same, respectively, and shall be and be deemed and taken to be

bank notes and bills within the meaning of all laws and statutes whatever, and shall and may be described as bank bills or notes in all indictments and civil or criminal proceedings whatsoever, any law, statute, or usage to the contrary notwithstanding.

INSOLVENCY.

57. Any suspension by the bank of payment of any of its liabilities as they accrue, in specie or Dominion notes, shall, if it continues for ninety days, constitute the bank insolvent and operate a forfeiture of its charter, so far as regards the issue or reissue of notes and other banking operations; and the charter shall remain in force only for the purpose of enabling the directors or the assignee or assignees, or other legal authority (if any be appointed in such manner as may by law be provided) to make the calls mentioned in the next following section of this act and to wind up its business; and any such assignee or assignees or other legal authority shall, for such purposes, have all the powers of the directors.

58. In the event of the property and assets of the bank becoming insufficient to pay its debts and liabilities, the shareholders of the bank shall be liable for the deficiency so far as that each shareholder shall be so liable to an amount (over and above any amount not paid up on their respective shares) equal to the amount of their shares, respectively; and if any suspension of payment in full in specie or Dominion notes, of all or any of the notes or other liabilities of the bank shall continue for six months, the directors may and shall make calls on such shareholders, to the amount they may deem necessary to pay all the debts and liabilities of the bank, without waiting for the collection of any debts due to it or the sale of any of its assets or property; such calls shall be made at intervals of thirty days and upon notice to be given thirty days

at least prior to the day on which such call shall be payable; and any such call shall not exceed twenty per cent on each share, and payment thereof may be enforced in like manner as for calls on unpaid stock, and the first of such calls shall be made within ten days after the expiration of the said six months; and any failure on the part of any shareholder liable to such call to pay the same when due, shall operate a forfeiture by such shareholder of all claim in or to any part of the assets of the bank, such call and any further call thereafter being nevertheless recoverable from him as if no such forfeiture had been incurred. *Provided always*, That nothing in this section contained shall be construed to alter or diminish the additional liabilities of the directors hereinbefore mentioned and declared: *Provided also*, That if the bank be en commandite and the principal partners are personally liable, then, in case of any such suspension such liability shall at once accrue and may be enforced against such principal partners, without waiting for any sale or discussion of the property or assets of the bank, or other preliminary proceedings whatever, and the provision respecting calls shall not apply to such bank.

59. Persons who, having been shareholders in the bank, have only transferred their shares or any of them to others or registered the transfer thereof within one month before the commencement of the suspension of payment by the bank, shall be liable to calls on such shares under the next preceding section, as if they had not transferred them, saving their recourse against those to whom they were transferred; and any assignee or other officer or person appointed to wind up the affairs of the bank, in case of its insolvency, shall have the powers of the directors with respect to such calls: *Provided*, That if the bank be en commandite, the liability of the principal partners and of the commanditaires shall continue for such time after their ceasing to be such as may be provided in the charter of

the bank, and the foregoing provisions with respect to the transfer of shares or calls shall not apply to such bank.

OFFENCES AND PENALTIES.

60. If any cashier, assistant cashier, manager, clerk, or servant of the bank secretes, embezzles, or absconds with any bond, obligation, bill obligatory or of credit or other bill or note, or any security for money, or any money or effects entrusted to him as such cashier, assistant cashier, manager, clerk, or servant, whether the same belong to the said bank or belong to any person or persons, body or bodies, politic or corporate, or institution or institutions and be lodged with the said bank, the said cashier, assistant cashier, manager, clerk, or servant so offending and being thereof convicted in due form of law, shall be deemed guilty of felony, and shall be punished by imprisonment at hard labor in the penitentiary for any term not less than two years, or by imprisonment in any gaol or place of confinement for any term less than two years, in the discretion of the court.

61. If any president, vice-president, director, principal partner en commandite, manager, cashier, or other officer of the bank wilfully gives or concurs in giving any creditor of the bank any fraudulent, undue, or unfair preference over other creditors, by giving security to such creditor or by changing the nature of his claim or otherwise howsoever, he shall be guilty of misdemeanor, and shall further be responsible for all damages sustained by any party by such preference.

62. The making of any wilfully false or deceptive statement in any account, statement, return, report, or other document respecting the affairs of the bank, shall unless it amounts to a higher offence, be a misdemeanor, and any and every president, vice-president, director, principal partner en commandite, auditor, manager, cashier, or other officer of the bank preparing, signing, approving, or

concurring in such statement, return, report, or document or using the same with intent to deceive or mislead any party, shall be held to have wilfully made such false statement, and shall further be responsible for all damages sustained by such party in consequence thereof.

63. Any director refusing to make or enforce, or to concur in making or enforcing any call under the fifty-eighth section of this act, shall be deemed guilty of a misdemeanor and shall be personally responsible for any damages suffered by such default.

64. If any miller, warehouseman, master of a vessel, forwarder, carrier, wharfinger, keeper of a cove, yard, harbor, or other place for storing timber, deals, staves, boards, or other lumber, curer or packer of pork, or dealer in wool, factor, agent, or other person, or any clerk or person in his employ, knowingly and wilfully gives to any person any writing purporting to be a receipt for, or an acknowledgement of any cereal grain, timber, deals, staves, boards, or other lumber, or other goods, wares, merchandize, or property, as having been received in his warehouse, vessel, cove, wharf, or other place, or in any such place about which he is employed, or as having been in any other manner received by him or the person in or about whose business he is employed, before the goods or property named in such receipt, acknowledgment, or writing have been actually so received by or delivered to him or his employer, with the intent to mislead, deceive, injure, or defraud any person or persons whomsoever, although such person or persons may be then to him unknown; or if any person knowingly and wilfully accepts or transmits or uses any such false receipt, acknowledgment, or writing, the person giving and the person accepting, transmitting, or using such false receipt, acknowledgment, or writing, shall severally be guilty of a misdemeanor.

65. The wilfully making any false statement in any such receipt, acknowledgment, or certificate as in the forty-

sixth section of this act mentioned, or the wilfully alienating or parting with, or not delivering to the holder or indorsee any cereal grain, goods, wares, or merchandize mentioned in such receipt, acknowledgment, or certificate, contrary to the undertaking therein expressed or implied, shall be a misdemeanor.

66. If any offence in either of the two next preceding sections mentioned be committed by the doing of anything in the name of any firm, company, or copartnership of persons, the person by whom such thing is actually done, and any person who connives at the doing thereof, shall be deemed guilty of the offence, and not any other person.

67. Any person convicted of a misdemeanor under this act shall, on conviction, be liable to be imprisoned in any gaol or place of confinement for any term not exceeding two years, in the discretion of the court before which the conviction shall be had.

68. No private person or party, except a chartered bank, shall issue or re-issue, make, draw, or indorse, any bill, bond, note, check or other instrument, intended to circulate as money, or to be used as a substitute for money, for any amount whatever, under a penalty of four hundred dollars, to be recovered, with costs, in any court having civil jurisdiction to the amount, by any party who will sue for the same; and one half of such sum shall belong to the party suing for the same, and the other half to Her Majesty, for the public uses of the Dominion:

The intention to pass any such instrument as money shall be presumed, if it be made for the payment of a less sum than twenty dollars, and be payable either in form or in fact to the bearer thereof, or at sight or on demand, or at less than thirty days thereafter, or be overdue, or be in any way calculated or designed for circulation, or as a substitute for money; unless such instrument be a check on some chartered bank, paid by the maker directly to

his immediate creditor, or a promissory note, bill of exchange, bond or other undertaking, for the payment of money paid or delivered by the maker thereof to his immediate creditor, and be not designed to circulate as a substitute for money:

Provided always, That the Halifax Banking Company may, until the end of the year 1874, continue to re-issue their notes now in circulation, but the whole of such notes shall, as far as practicable, be called in and withdrawn by the end of the said year.

NOTICES.

69. The several public notices by this act required to be given shall be given by advertisement in one or more of the newspapers published at the place where the head office of the bank is situate, and in the Canada Gazette or such other Gazette as shall be generally known and described as the Official Gazette for the publication of official documents and notices emanating from the civil government of this Dominion.

FUTURE LEGISLATION.

70. The bank shall be subject to such provisions of any general or special winding up act to be passed by Parliament as may be declared to apply to banks; and no special act which Parliament may deem it right to pass for winding up the affairs of the bank in case of its insolvency shall be deemed an infringement of its rights or of the privileges conferred by its charter.

71. The bank shall always be subject to any general provisions respecting banks which Parliament may deem necessary for the public interest.

SPECIAL PROVISIONS AS TO CERTAIN BANKS.

72. The Bank of British North America, which, by the terms of its present charter, is to be subject to the general

laws of the Dominion, with respect to banks and banking, shall not issue or re-issue in Canada any note for a less sum than four dollars, and any such note of the said bank outstanding shall be called in and redeemed as soon as practicable; and the provisions contained in the ninth, twelfth, thirteenth, fourteenth, sixteenth, forty-fifth, forty-sixth, forty-seventh, forth-eighth, forty-ninth, fiftieth, fifty-first, fifty-second, fifty-third, fifty-fourth, sixtieth, sixty-first, sixty-second, sixty-fourth, sixty-fifth, sixty-sixth, sixty-seventh, sixty-ninth, and seventy-first sections of this act, shall apply to the said bank; those contained in the other sections shall not apply to it.

73. This act shall not apply to any now existing bank not mentioned in the schedule thereunto annexed (except the Bank of British North America to the extent aforesaid and La Banque du Peuple to the extent hereinafter mentioned) unless the directors of such bank shall, by special resolution, apply to the treasury board, that the provisions of this act may be extended to such bank, nor unless the treasury board allows such application, and upon publication in the Official Gazette of such resolution, and of the minute of the treasury board thereon, allowing such application, such bank shall come under the provisions of this act.

74. In pursuance of the application made by the Bank of Nova Scotia in that behalf, it shall be lawful for the shareholders of the said bank, at any special general meeting called for the purpose, and by a by-law to be passed thereat, to reduce the capital and shares of the said bank by an amount not exceeding thirteen per cent thereof respectively, and the shares and capital shall thereafter be reckoned at the amount to which they shall be so reduced.

75. Sections four, thirty-nine to fifty-four, both inclusive, sixty, sixty-one and sixty-two, and sixty-four to sixty-eight, both inclusive, shall apply to La Banque du

Peuple from and after the passing of this act and all the other provisions of this act (except those contained in sections one, two, three, five, six, seven, twenty-seven, twenty-nine, thirty, thirty-one, thirty-two, thirty-three, thirty-five, thirty-six, thirty-seven, fifty-seven, fifty-eight, fifty-nine, sixty-three, seventy, seventy-two, seventy-three, and seventy-four, and so much of section twenty-eight as is declared not to apply to banks en commandite) shall apply from and after the first day of July next to La Banque du Peuple, provided that wherever the word "directors" is used in any of the sections which apply to the said bank it shall be read and construed as meaning the principal partners or members of the corporation of the said bank; and so much of the act incorporating the said bank or of any act amending or continuing it as may be inconsistent with any section of this act applying to the said bank or which makes any provision in any matter provided for by the said sections other than such as is hereby made, is hereby repealed.

REPEALING AND SAVING CLAUSES.

76. The act passed in the thirty-third year of Her Majesty's reign, chaptered eleven, and intituled "An act respecting banks and banking," is hereby repealed; and the act passed in the thirty-first year of Her Majesty's reign, and intituled "An act respecting banks," is hereby repealed in so far as respects banks to which this act applies, including the Bank of British North America and La Banque du Peuple, and shall cease to apply to them after the passing of this act (or after they respectively come under its provisions, if they are now existing banks and not mentioned in the schedule), except as to rights theretofore acquired under or offences committed against it, but shall remain in force as regards other banks until the end of the session of Parliament commencing next

after the first day of January, in the year of our Lord one thousand eight hundred and seventy-two.

77. Nothing in this act contained shall affect any case pending when it shall come into force, but such case shall be decided as if this act had not been passed.

SCHEDULE.

Banks whose charters are continued by this act.

The Bank of Montreal.
The Quebec Bank.
The City Bank.
The Niagara District Bank.
Molson's Bank.
The Bank of Toronto.
The Ontario Bank.
The Eastern Townships Bank.
La Banque Nationale.
La Banque Jacques Cartier.
The Merchants' Bank of Canada.
The Royal Canadian Bank.
The Union Bank of Lower Canada.
The Canadian Bank of Commerce.
The Mechanics' Bank.
The Dominion Bank.
The Merchants' Bank of Halifax.
The Bank of Nova Scotia.
The Bank of Yarmouth.

Appendix II.

THE CONSOLIDATED CANADIAN BANK ACT.

REVISED STATUTES OF CANADA, 1906.

CHAP. 29.—An Act Respecting banks and banking.

SHORT TITLE.

1. This act may be cited as the bank act. (53 V, c. 31, s. 1.)

INTERPRETATION.

2. In this act, unless the context otherwise requires, (*a*) "bank" means any bank to which this act applies; (*b*) "minister" means the minister of finance and receiver general; (*c*) "association" means the Canadian Bankers' Association, incorporated by the act passed in the session held in the sixty-third and sixty-fourth years of Her late Majesty's reign, chapter ninety-three, intituled "An act to incorporate the Canadian Bankers' Association;" (*d*) "curator" means any person appointed under the authority of this act by the Canadian Bankers' Association to supervise the affairs of any bank which has suspended payment in specie or Dominion notes of any of its liabilities as they accrue; (*e*) "circulation fund" means the fund heretofore established and continued by the authority of this act under the name of the "bank circulation redemption fund;" (*f*) "goods, wares, and merchandise" includes, in addition to the things usually understood thereby, timber, deals, boards, staves, saw logs, and other lumber, petroleum, crude oil, and all agricultural produce and other articles of commerce; (*g*) "warehouse receipt" (i) means any receipt given by any person for any goods, wares, or merchandise in his actual visible and continued possession

as bailee thereof in good faith and not as of his own property, and (ii) includes receipts, given by any person who is the owner or keeper of a harbour, cove, pond, wharf, yard, warehouse, shed, storehouse, or other place for the storage of goods, wares, or merchandise, for goods, wares, and merchandise delivered to him as bailee, and actually in the place or in one or more of the places owned or kept by him, whether such person is engaged in other business or not, and (iii) includes also receipts given by any person in charge of logs or timber in transit from timber limits or other lands to the place of destination of such logs or timber; (*h*) "bill of lading" includes all receipts for goods, wares, or merchandise, accompanied by an undertaking to transport the same from the place where they were received to some other place, by any mode of carriage whatever, whether by land or water, or partly by land and partly by water; (*i*) "manufacturer" includes manufacturers of logs, timber or lumber, maltsters, distillers, brewers, refiners and producers of petroleum, tanners, curers, packers, canners of meat, pork, fish, fruit, or vegetables, and any person who produces by hand, art, process, or mechanical means any goods, wares, or merchandise; (*j*) "president" does not include an honorary president.

2. Where by this act any public notice is required to be given the notice shall, unless otherwise specified, be given by advertisement (*a*) in one or more newspapers published at the place where the head office of the bank is situate and (*b*) in the Canada Gazette. (53 V, c. 31, ss. 2, 54, and 102; 63–64 V, c. 26, ss. 3 and 24; 4–5 E. VII, c. 4, s. 4.)

APPLICATION.

General.

3. The provisions of this act apply to the several banks enumerated in Schedule A to this act, and to every bank incorporated after the first day of January, one thousand

nine hundred and five, whether this act is specially mentioned in its act of incorporation or not, but not to any other bank, except as hereinafter specially provided. (53 V, c. 31, s. 3.)

4. The charters or acts of incorporation, and any acts in amendment thereof, of the several banks enumerated in Schedule A to this act are continued in force until the first day of July, one thousand nine hundred and eleven, so far as regards, as to each of such banks, (*a*) the incorporation and corporate name; (*b*) the amount of the authorized capital stock; (*c*) the amount of each share of such stock; and (*d*) the chief place of business; subject to the right of each of such banks to increase or reduce its authorized capital stock in the manner hereinafter provided.

2. As to all other particulars this act shall form and be the charter of each of the said banks until the first day of July, one thousand nine hundred and eleven.

3. Nothing in this section shall be deemed to continue in force any charter or act of incorporation, if, or in so far as it is, under the terms thereof, or under the terms of this act or of any other act passed or to be passed, forfeited or rendered void by reason of the nonperformance of the conditions of such charter or act of incorporation, or by reason of insolvency, or for any other reason. (63–64 V, c. 26, s. 6.)

Banks in course of winding up.

5. The provisions of this act shall continue to apply to the banks named in Schedule A to the bank act, passed in the fifty-third year of Her late Majesty's reign, chapter thirty-one, and not named in Schedule A to this act, but only in so far as may be necessary to wind up the business of the said banks respectively; and the charters or acts of incorporation of the said banks, and any acts in amendment thereof, or any acts in relation to the said banks now

in force, shall respectively continue in force for the purposes of winding up, and for such purposes only.

2. The sections of this act enumerated in the next following section shall continue to apply to the Bank of British Columbia, but only in so far as may be necessary to wind up the business of the bank. (63–64 V, c. 26, s. 5.)

The Bank of British North America.

6. The sections of this act which apply to the Bank of British North America are sections one, two, six, seven, thirty-nine, forty-five, fifty-seven to sixty-one, both inclusive, sixty-three to one hundred and twenty-four, both inclusive, one hundred and thirty, one hundred and thirty-two to one hundred and fifty-two, both inclusive, and one hundred and fifty-four to one hundred and fifty-seven, both inclusive.

2. The other sections of this act do not apply to the Bank of British North America. (53 V, c. 31, s. 6; 63–64 V, c. 26, s. 7.)

7. For the purposes of the several sections of this act made applicable to the Bank of British North America the chief office of the Bank of British North America shall be the office of the bank at Montreal in the Province of Quebec. (53 V, c. 31, s. 7.)

INCORPORATION AND ORGANIZATION OF BANKS.

8. The capital stock of every bank hereafter incorporated, the name of the bank, the place where its chief office is to be situated, and the name of the provisional directors, shall be declared in the act of incorporation of every such bank respectively. (53 V, c. 31, s. 9.)

9. An act of incorporation of a bank in the form set forth in Schedule B to this act shall be construed to confer upon the bank thereby incorporated all the powers, privileges, and immunities, and to subject it to all the

liabilities and provisions set forth in this act. (53 V, c. 31, s. 9.)

10. The capital stock of any bank hereafter incorporated shall be not less than five hundred thousand dollars, and shall be divided into shares of one hundred dollars each. (53 V, c. 31, s. 10.)

11. The number of provisional directors shall be not less than five.

2. The provisional directors shall hold office until directors are elected by the subscribers to the stock, as hereinafter provided. (53 V, c. 31, s. 11; 4–5 E. VII, c. 4, s. 1.)

12. For the purpose of organizing the bank, the provisional directors may, after giving public notice thereof, cause stock books to be opened, in which shall be recorded the subscriptions of such persons as desire to become shareholders in the bank.

2. Such books shall be opened at the place where the chief office of the bank is to be situate, and elsewhere, in the discretion of the provisional directors.

3. Such stock books may be kept open for such time as the provisional directors deem necessary. (53 V, c. 31, s. 12.)

13. So soon as a sum not less than five hundred thousand dollars of the capital stock of the bank has been bona fide subscribed, and a sum not less than two hundred and fifty thousand dollars thereof has been paid to the minister, the provisional directors may, by public notice, published for at least four weeks, call a meeting of the subscribers to the said stock, to be held in the place named in the act of incorporation as the chief place of business of the bank, at such time and at such place therein as set forth in the said notice.

2. The subscribers shall at such meeting (*a*) determine the day upon which the annual general meeting of the bank is to be held and (*b*) elect such number of directors,

duly qualified under this act, not less than five, as they think necessary.

3. Such directors shall hold office until the annual general meeting in the year next succeeding their election.

4. Upon the election of directors as aforesaid the functions of the provisional directors shall case. (53 V., c. 31, s. 13; 4–5 E. VII., c. 4, s. 2.)

14. The bank shall not issue notes or commence the business of banking until it has obtained from the treasury board a certificate permitting it to do so.

2. No application for such certificate shall be made until directors have been elected by the subscribers to the stock in the manner hereinbefore provided. (53 V., c. 31, s. 14.)

15. No certificate shall be given by the treasury board until it has been shown to the satisfaction of the board, by affidavit or otherwise, that all the requirements of this act and of the special act of incorpration of the bank, as to the payment required to be made to the minister, the election of directors, deposit for security for note issue, or other preliminaries, have been complied with, and that the sum so paid is then held by the minister.

2. No such certificate shall be given except within one year from the passing of the act of incorporation of the bank applying for the said certificate. (53 V., c. 31, s. 15.)

16. If the bank does not obtain a certificate from the treasury board within one year from the time of the passing of its act of incorporation, all the rights, powers, and privileges conferred on the bank by its act of incorporation shall thereupon cease and determine, and be of no force or effect whatever. (53 V., c. 31, s. 16.)

17. Upon the issue of the certificate in manner hereinbefore provided, the minister shall forthwith pay to the bank the amount of money so deposited with him as aforesaid, without interest, after deducting therefrom

the sum of five thousand dollars required to be deposited under the provisions of this act for the securing of the notes issued by the bank.

2. In case no certificate is issued by the treasury board within the time limited for the issue thereof, the amount so deposited shall be returned to the person depositing the same.

3. In no case shall the minister be under any obligation to see to the proper application in any way of the amount so returned. (53 V., c. 31, s. 17.)

INTERNAL REGULATIONS.

18. The shareholders of the bank may regulate, by by-law, the following matters incident to the management and administration of the affairs of the bank, that is to say: (*a*) The day upon which the annual general meeting of the shareholders for the election of directors shall be held; (*b*) the record to be kept of proxies, and the time, not exceeding thirty days, within which proxies must be produced and recorded prior to a meeting in order to entitle the holder to vote thereon; (*c*) the number of the directors, which shall be not less than five, and the quorum thereof, which shall be not less than three; (*d*) subject to the provisions hereinafter contained, the qualifications of directors; (*e*) the method of filling vacancies in the board of directors, whenever the same occur during each year; (*f*) the time and proceedings for the election of directors, in case of a failure of any election on the day appointed for it; (*g*) the remuneration of the president, vice-president and other directors; and (*h*) the amount of discounts or loans which may be made to directors, either jointly or severally, or to any one firm or person, or to any shareholder, or to corporations.

2. The shareholders may authorize the directors to establish guarantee and pension funds for the officers

and employees of the bank and their families, and to contribute thereto out of the funds of the bank.

3. Until it is otherwise prescribed by by-law under this section, the by-laws of the bank on any matter which may be regulated by by-law under this section shall remain in force, except as to any provision fixing the qualification of directors at an amount less than that prescribed by this act. (53 V., c. 31, s. 18; 4–5 E. VII., c. 4, s. 3.)

19. The stock, property, affairs, and concerns of the bank shall be managed by a board of directors, who shall be elected annually in manner hereinafter provided, and shall be eligible for reelection. (53 V., c. 31, s. 19.)

20. Each director shall (*a*) when the paid-up capital stock of the bank is one million dollars or less, hold stock of the bank on which not less than three thousand dollars have been paid up; (*b*) when the paid-up capital stock of the bank is over one million dollars and does not exceed three million dollars, hold stock of the bank on which not less than four thousand dollars have been paid up; and (*c*) when the paid-up capital stock of the bank exceeds three million dollars, hold stock of the bank on which not less than five thousand dollars have been paid up.

2. No person shall be elected or continue to be a director unless he holds stock paid up to the amount required by this act, or such greater amount as is required by any by-law in that behalf.

3. A majority of the directors shall be natural born or naturalized subjects of His Majesty. (53 V., c. 31, ss. 18 and 19.)

21. The directors shall be elected by the shareholders on such day in each year as is appointed by the charter or by any by-law of the bank and at such time of the day as the directors appoint.

2. The election shall take place at the head office of the bank.

3. Public notice of the election shall be given by the directors by publishing such notice, for at least four weeks previously to the time of holding the election, in a newspaper published at the place where the head office of the bank is situate. (53 V., c. 31, s. 19.)

22. The persons, to the number authorized to be elected, who have the greatest number of votes at any election shall be directors. (53 V., c. 31, s. 19.)

23. If it happens at any election that two or more persons have an equal number of votes, and the election or nonelection of one or more of such persons as a director or directors depends on such equality, then the directors who have a greater number of votes, or the majority of them, shall, in order to complete the full number of directors, determine which of the said persons so having an equal number of votes shall be a director or directors. (53 V., c. 31, s. 19.)

24. The directors, as soon as may be after their election, shall proceed to elect, by ballot, two of their number to be president and vice-president, respectively.

2. The directors may also elect by ballot one of their number to be honorary president. (53 V., c. 31, s. 19; 4–5 E. VII., c. 4, s. 4.)

25. If a vacancy occurs in the board of directors the vacancy shall be filled in the manner provided by the by-laws: *Provided*, That if the vacancy is not filled the acts of a quorum of the remaining directors shall not be thereby invalidated. (53 V., c. 31, s. 19.)

26. If a vacancy occurs in the office of the president or vice-president, the directors shall, from among themselves, elect a president or vice-president, who shall continue in office for the remainder of the year. (53 V., c. 31, s. 19.)

27. If an election of directors is not made on the day appointed for that purpose, such election may take place on any other day, according to the by-laws made by the shareholders in that behalf.

2. The directors in office on the day appointed for the election of directors shall remain in office until a new election is made. (53 V., c. 31, s. 20.)

28. The president, or in his absence the vice-president, shall preside at all meetings of the directors.

2. If at any meeting of the directors both president and vice-president are absent, one of the directors present, chosen to act *pro tempore*, shall preside.

3. The president, vice-president, or president *pro tempore* so presiding shall vote as a director, and shall, if there is an equal division on any question, also have a casting vote. (53 V., c. 31, s. 21.)

29. The directors may make by-laws and regulations not repugnant to the provisions of this act or to the laws of Canada with respect to (*a*) the management and disposition of the stock, property, affairs, and concerns of the bank; (*b*) the duties and conduct of the officers, clerks, and servants employed therein; and (*c*) all such other matters as appertain to the business of a bank.

2. All by-laws of the bank heretofore lawfully made and now in force with regard to any matter respecting which the directors may make by-laws under this section, including any by-laws for the establishing of guarantee and pension funds for the employees of the bank, shall remain in force until they are repealed or altered by other by-laws made under this act. (53 V., c. 31, s. 22.)

30. The directors may appoint as many officers, clerks, and servants as they consider necessary for the carrying on of the business of the bank.

2. The directors may also appoint a director or directors for any branch of the bank.

3. Such officers, clerks, and servants may be paid such salaries and allowances as the directors consider necessary.

4. The directors shall, before permitting any cashier, officer, clerk, or servant of the bank to enter upon the duties of his office, require him to give a bond, guarantee, or other security to the satisfaction of the directors for the due and faithful performance of his duties. (53 V., c. 31, s. 23.)

31. A special general meeting of the shareholders of the bank may be called at any time by (*a*) the directors of the bank or any four of them; or (*b*) any number not less than twenty-five of the shareholders, acting by themselves or by their proxies, who are together proprietors of at least one-tenth of the paid-up capital stock of the bank.

2. Such directors or shareholders shall give six weeks' previous public notice, specifying therein the object of such meeting.

3. Such meeting shall be held at the usual place of meeting of the shareholders.

4. If the object of the special general meeting is to consider the proposed removal, for maladministration or other specified and apparently just cause, of the president or vice-president, or of a director of the bank, and if a majority of the votes of the shareholders at the meeting is given for such removal, a director to replace him shall be elected or appointed in the manner provided by the by-laws of the bank, or, if there are no by-laws providing therefor, by the shareholders at the meeting.

5. If it is the president or vice-president who is removed, his office shall be filled by the directors in the manner provided in case of a vacancy occurring in the office of president or vice-president. (53 V., c. 31, s. 24.)

32. Every shareholder shall, on all occasions on which the votes of the shareholders are taken, have one vote for each share held by him for at least thirty days before the time of meeting.

2. In all cases when the votes of the shareholders are taken, the voting shall be by ballot.

3. All questions proposed for the consideration of the shareholders shall be determined by a majority of the votes of the shareholders present in person or represented by proxy.

4. The chairman elected to preside at any meeting of the shareholders shall vote as a shareholder only, unless there is a tie, in which case he shall, except as to the election of a director, have a casting vote.

5. If two or more persons are joint holders of shares, any one of the joint holders may be empowered, by letter of attorney from the other joint holder or holders, or a majority of them, to represent the said shares, and to vote accordingly.

6. Shareholders may vote by proxy, but no person other than a shareholder eligible to vote shall be permitted to vote or act as proxy.

7. No manager, cashier, clerk or other subordinate officer of the bank shall vote either in person or by proxy, or hold a proxy for the purpose of voting.

8. No appointment of a proxy to vote at any meeting of the shareholders of the bank shall be valid for that purpose, unless it has been made or renewed in writing within the two years last preceding the time of such meeting.

9. No shareholder shall vote, either in person or by proxy, on any question proposed for the consideration of the shareholders of the bank at any meeting of the shareholders, or in any case in which the votes of the shareholders of the bank are taken, unless he has paid all calls made by the directors which are then due and payable. (53 V., c. 31, s. 25.)

CAPITAL STOCK.

33. The capital stock of the bank may be increased, from time to time, by such percentage, or by such amount, as is determined upon by by-law passed by the shareholders, at the annual general meeting, or at any special general meeting called for the purpose.

2. No such by-law shall come into operation, or be of any force or effect, unless and until a certificate approving thereof has been issued by the treasury board.

3. No such certificate shall be issued by the treasury board unless application therefor is made within three months from the time of the passing of the by-law, nor unless it appears to the satisfaction of the treasury board that a copy of the by-law, together with notice of intention to apply for the certificate, has been published for at least four weeks in the Canada Gazette and in one or more newspapers published in the place where the chief office or place of business of the bank is situate.

4. Nothing herein contained shall be construed to prevent the treasury board from refusing to issue such certificate if it thinks best so to do. (53 V., c. 31, s. 26.)

34. Any of the original unsubscribed capital stock, or of the increased stock of the bank, shall, when the directors so determine, be allotted to the then shareholders of the bank *pro rata*, and at such rate as is fixed by the directors: *Provided*, That (*a*) no fraction of a share shall be so allotted, and (*b*) in no case shall a rate be fixed by the directors, which will make the premium, if any, paid or payable on the stock so allotted, exceed the percentage which the reserve fund of the bank then bears to the paid-up capital stock thereof.

2. Any of such allotted stock which is not taken up by the shareholder to whom the allotment has been made within six months from the time when notice of the allotment was mailed to his address, or which he declines to

accept, may be offered for subscription to the public, in such manner and on such terms as the directors prescribe. (53 V., c. 31, s. 27.)

35. The capital stock of the bank may be reduced by by-law passed by the shareholders at the annual general meeting, or at a special general meeting called for the purpose.

2. No such by-law shall come into operation or be of force or effect until a certificate approving thereof has been issued by the treasury board.

3. No such certificate shall be issued by the treasury board unless application therefor is made within three months from the time of the passing of the by-law, nor unless it appears to the satisfaction of the board that (*a*) the shareholders voting for the by-law represent a majority in value of all the shares then issued by the bank; and (*b*) a copy of the by-law, together with notice of intention to apply to the treasury board for the issue of a certificate approving thereof, has been published for at least four weeks in the Canada Gazette and in one or more newspapers published in the place where the chief office or place of business of the bank is situate.

4. Nothing herein contained shall be construed to prevent the treasury board from refusing to issue the certificate if it thinks best so to do.

5. In addition to evidence of the passing of the by-law, and of the publication thereof in the manner in this section provided, statements showing (*a*) the amount of stock issued, (*b*) the number of shareholders represented at the meeting at which the by-law passed, (*c*) the amount of stock held by each such shareholder, (*d*) the number of shareholders who voted for the by-law, (*e*) the amount of stock held by each of such last-mentioned shareholders, (*f*) the assets and liabilities of the bank in full, and (*g*) the reasons and causes why the reduction is sought shall be

laid before the treasury board at the time of the application for the issue of a certificate approving the by-law.

6. The passing of the by-law, and any reduction of the capital stock of the bank thereunder shall not in any way diminish or interfere with the liability of the shareholders of the bank to the creditors thereof at the time of the issue of the certificate approving the by-law.

7. If in any case legislation is sought to sanction any reduction of the capital stock of any bank, a copy of the by-law or resolution passed by the shareholders in regard thereto, together with statements similar to those by this section required to be laid before the treasury board, shall, at least one month prior to the introduction into Parliament of the bill relating to such reduction, be filed with the minister.

8. The capital shall not be reduced below the amount of two hundred and fifty thousand dollars of paid-up stock. (53 V., c. 31, s. 28.)

SHARES AND CALLS.

36. The shares of the capital stock of the bank shall be personal property.

2. Books of subscription may be opened at the chief place of business of the bank, or at such of its branches, or at such place or places in the United Kingdom or in any of the British colonies or possessions as the directors prescribe.

3. The shares shall be assignable and transferable at any of the places aforesaid, according to such forms and subject to such rules and regulations as the directors prescribe.

4. The dividends accruing upon any shares of the capital stock of the bank may be made payable at any of the places aforesaid.

5. The directors may appoint such agents in the United Kingdom, or in any of the British colonies or possessions,

for the purposes of this section as they deem necessary. (53 V., c. 31, s. 29.)

37. The shares of the capital stock shall be paid in by such installments and at such times and places as the directors appoint.

2. The directors may cancel any subscription for any share unless a sum equal to ten per centum at least on the amount subscribed for is actually paid at or within thirty days after the time of subscribing.

3. Such cancellation shall not, in the event of insolvency, relieve the subscriber as hereinafter provided from his liability to creditors. (53 V., c. 31, s. 30.)

38. The directors may make such calls of money from the several shareholders for the time being upon the shares subscribed for by them, respectively, as they find necessary.

2. Such calls shall be made at intervals of not less than thirty days.

3. Notice of any such call shall be given at least thirty days prior to the day on which the call is payable.

4. No such call shall exceed ten per centum of each share subscribed. (53 V., c. 31, s. 31.)

39. If any part of the paid-up capital is lost the directors shall, if all the subscribed stock is not paid up, forthwith make calls upon the shareholders to an amount equivalent to the loss: *Provided*, That all net profits shall be applied to make good such loss.

2. Any such loss of capital and the calls, if any made in respect thereof, shall be mentioned in the next return made by the bank to the minister. (53 V., c. 31, s. 48.)

40. In case of the nonpayment of any call, the directors may, in the corporate name of the bank, sue for, recover, collect, and get in any such call, or may cause and declare the shares in respect of which any such call is made to be forfeited to the bank. (53 V., c. 31, s. 32.)

41. If any shareholder refuses or neglects to pay any installment upon his shares of the capital stock at the time appointed therefor, such shareholder shall incur a penalty, to the use of the bank, of a sum of money equal to ten per centum of the amount of such shares

2. If the directors declare any shares to be forfeited to the bank they shall, within six months thereafter, without any previous formality, other than thirty days' public notice of their intention so to do, sell at public auction the said shares, or so many of the said shares as shall, after deducting the reasonable expenses of the sale, yield a sum of money sufficient to pay the unpaid instalments due on the remainder of the said shares, and the amount of penalties incurred upon the whole.

3. The president or vice-president, manager, or cashier of the bank shall execute the transfer to the purchaser of the shares so sold; and such transfer shall be as valid and effectual in law as if it had been executed by the original holder of the shares thereby transferred.

4. The directors, or the shareholders, at a general meeting, may, notwithstanding anything in this section contained, remit, either in whole or in part, and conditionally or unconditionally, any forfeiture or penalty incurred by the nonpayment of instalments as aforesaid. (53 V., c. 31, s. 33.)

42. In any action brought to recover any money due on any call it shall not be necessary to set forth the special matter in the declaration or statement of claim, but it shall be sufficient to allege that the defendant is the holder of one share or more, as the case may be, in the capital stock of the bank, and that he is indebted to the bank for a call or calls upon such share or shares, in the sum to which the call or calls amount, as the case may be, stating the amount and number of the calls.

2. It shall not be necessary, in any such action, to prove the appointment of the directors. (53 V., c. 31, s. 34.)

TRANSFER AND TRANSMISSION OF SHARES.

43. No assignment or transfer of the shares of the capital stock of the bank shall be valid unless (*a*) made, registered, and accepted by the person to whom the transfer is made in a book or books kept for that purpose; and, (*b*) the person making the assignment or transfer has, if required by the bank, previously discharged all his debts or liabilities to the bank which exceed in amount the remaining stock, if any, belonging to such person, valued at the then current rate.

2. No fractional part of a share, or less than a whole share, shall be assignable or transferable. (53 V., c. 31, s. 35.)

44. A list of all transfers of shares registered each day in the books of the bank, showing, in each case, the parties to such transfers and the number of shares transferred, shall be made up at the end of each day.

2. Such lists shall be kept at the chief place of business of the bank, for the inspection of its shareholders. (53 V., c. 31, s. 36.)

45. All sales or transfers of shares, and all contracts and agreements in respect thereof, hereafter made or purporting to be made, shall be null and void, unless the person making the sale or transfer, or the person in whose name or behalf the sale or transfer is made, at the time of the sale or transfer (*a*) is the registered owner in the books of the bank of the share or shares so sold or transferred, or intended or purporting to be so sold or transferred; or, (*b*) has the registered owner's assent to the sale.

2. The distinguishing number or numbers, if any, of such share or shares shall be designated in the contract of agreement of sale or transfer.

3. Notwithstanding anything in this section contained, the rights and remedies under any contract of sale, which does not comply with the conditions and requirements in this section mentioned, of any purchaser who has no knowledge of such non-compliance, are hereby saved. (53 V., c. 31, s. 37.)

46. When any share of the capital stock has been sold under a writ of execution, the officer by whom the writ was executed shall, within thirty days after the sale, leave with the bank an attested copy of the writ, with the certificate of such officer endorsed thereon, certifying to whom the sale has been made.

2. The president, vice-president, manager, or cashier of the bank shall execute the transfer of the share so sold to the purchaser, but not until after all debts and liabilities to the bank of the holder of the share, and all liens in favour of the bank existing thereon, have been discharged as by this act provided.

3. Such transfer shall be to all intents and purposes as valid and effectual in law as if it had been executed by the holder of the said share. (53 V., c. 31, s. 38.)

47. If the interest in any share in the capital stock of any bank is transmitted by or in consequence of (*a*) the death, bankruptcy, or insolvency of any shareholder; or, (*b*) the marriage of a female shareholder; or, (*c*) any lawful means, other than a transfer according to the provisions of this act; the transmission shall be authenticated by a declaration in writing, as hereinafter mentioned, or in such other manner as the directors of the bank require.

2. Every such declaration shall distinctly state the manner in which and the person to whom the share has been transmitted, and shall be made and signed by such person.

3. The person making and signing the declaration shall acknowledge the same before a judge of a court of record, or before the mayor, provost or chief magistrate of a city,

.town, borough, or other place, or before a notary public, where the same is made and signed.

4. Every declaration so signed and acknowledged shall be left with the cashier, manager, or other officer or agent of the bank, who shall thereupon enter the name of the person entitled under the transmission in the register of shareholders.

5. Until the transmission has been so authenticated, no person claiming by virtue thereof shall be entitled to participate in the profits of the bank, or to vote in respect of any such share of the capital stock. (53 V., c. 31, s. 39.)

48. If the transmission of any share of the capital stock has taken place by virtue of the marriage of a female shareholder, the declaration shall be accompanied by a copy of the register of such marriage, or other particulars of the celebration thereof, and shall declare the identity of the wife with the holder of such share, and shall be made and signed by such female shareholder and her husband.

2. The declaration may include a statement to the effect that the share transmitted is the separate property and under the sole control of the wife, and that she may, without requiring the consent or authority of her husband, receive and grant receipts for the dividends and profits accruing in respect thereof, and dispose of and transfer the share itself.

3. The declaration shall be binding upon the bank and persons making the same, until the said persons see fit to revoke it by a written notice to the bank to that effect.

4. The omission of a statement in any such declaration that the wife making the declaration is duly authorized by her husband to make the same shall not invalidate the declaration. (53 V., c. 31, s. 40.)

49. Every such declaration and instrument as are by the last two preceding sections required to perfect the transmission of a share in the bank shall, if made in any

country other than Canada, the United Kingdom, or a British colony (*a*) be further authenticated by the clerk of a court of record under the seal of the court, or by the British consul or vice-consul, or other accredited representative of His Majesty's Government in the country where the declaration or instrument is made; or (*b*) be made directly before such British consul, vice-consul, or other accredited representative.

2. The directors, cashier, or other officer or agent of the bank may require corroborative evidence of any fact alleged in any such declaration. (53 V., c. 31, s. 39.)

50. If the transmission has taken place by virtue of any testamentary instrument, or by intestacy, the probate of the will, or the letters of administration, or act of curatorship or tutorship, or an official extract therefrom, shall, together with the declaration, be produced and left with the cashier or other officer or agent of the bank.

2. The cashier or other officer or agent shall thereupon enter in the register of shareholders the name of the person entitled under the transmission. (53 V., c. 31, s. 41.)

51. If the transmission of any share of the capital stock has taken place by virtue of the decease of any shareholder, the production to the directors and the deposit with them of (*a*) any authenticated copy of the probate of the will of the deceased shareholder, or of letters of administration of his estate, or of letters of verification of heirship, or of the act of curatorship or tutorship, granted by any court in Canada having power to grant the same, or by any court or authority in England, Wales, Ireland, or any British colony, or of any testament, testamentary or testament dative expede in Scotland; or (*b*) an authentic notarial copy of the will of the deceased shareholder, if such will is in notarial form according to the law of the province of Quebec; or (*c*) if the deceased shareholder died out of His Majesty's dominions, any authenticated copy of the probate of his will or letters of administration

of his property, or other document of like import, granted by any court or authority having the requisite power in such matters; shall be sufficient justification and authority to the directors for paying any dividend, or for transferring or authorizing the transfer of any share, in pursuance of and in conformity to the probate, letters of administration, or other such document as aforesaid. (53 V., c. 31, s. 42.)

SHARES SUBJECT TO TRUSTS.

52. The bank shall not be bound to see to the execution of any trust, whether expressed, implied, or constructive, to which any share of its stock is subject.

2. The receipt of the person in whose name any such share stands in the books of the bank, or, if it stands in the names of more persons than one, the receipt of one of such persons, shall be a sufficient discharge to the bank for any dividend or any other sum of money payable in respect of such share, unless, previously to such payment, express notice to the contrary has been given to the bank.

3. The bank shall not be bound to see to the application of the money paid upon such receipt, whether given by one of such persons or all of them. (53 V., c. 31, s. 43.)

53. No person holding stock in the bank as executor, administrator, guardian, trustee, tutor, or curator of or for any estate, trust, or person named in the books of the bank as being so represented by him, shall be personally subject to any liability as a shareholder; but the estate and funds in his hands shall be liable in like manner and to the same extent as the testator, intestate, ward, or person interested in such estate and funds would be, if living and competent to hold the stock in his own name.

2. If the trust is for a living person, such person shall also himself be liable as a shareholder.

3. If the estate, trust, or person so represented is not so named in the books of the bank, the executor, administra-

tor, guardian, trustee, tutor, or curator shall be personally liable in respect of the stock as if he held it in his own name as owner thereof. (63–64 V., c. 26, s. 8.)

ANNUAL STATEMENT AND INSPECTION.

54. At every annual meeting of the shareholders for the election of directors, the outgoing directors shall submit a clear and full statement of the affairs of the bank, exhibiting, on the one hand, the liabilities of or the debts due by the bank, and, on the other hand, the assets and resources thereof.

2. The statement shall show, on the one part, (*a*) the amount of the capital stock paid in; (*b*) the amount of the notes of the bank in circulation; (*c*) the net profits made; (*d*) the balances due to other banks; and (*e*) the cash deposited in the bank, distinguishing deposits bearing interest from those not bearing interest.

3. The statement shall show, on the other part, (*a*) the amount of the current coin, the gold and silver bullion, and the dominion notes held by the bank; (*b*) the balances due to the bank from other banks; (*c*) the value of the real and other property of the bank; and (*d*) the amount of debts owing to the bank, including and particularizing the amounts so owing upon bills of exchange, discounted notes, mortgages, and other securities.

4. The statement shall also exhibit (*a*) the rate and amount of the last dividend declared by the directors; (*b*) the amount of reserved profits at the date of such statement; and (*c*) the amount of debts due to the bank, overdue and not paid, with an estimate of the loss which will probably accrue thereon. (53 V., c. 31, s. 45.)

55. The directors shall also submit to the shareholders such further statements of the affairs of the bank other than statements with reference to the account of any person dealing with the bank as the shareholders require by

by-law passed at the annual general meeting or at any special general meeting of the shareholders called for the purpose.

2. The statements so required shall be submitted at the annual general meeting, or at any special general meeting called for the purpose, or at such time and in such manner as is set forth in the by-law of the shareholders requiring such statements. (63-64 V., c. 26, s. 9.)

56. The books, correspondence, and funds of the bank shall, at all times, be subject to the inspection of the directors.

2. No person who is not a director shall be allowed to inspect the account of any person dealing with the bank. (53 V., c. 31, s. 46.)

DIVIDENDS.

57. The directors of the bank shall, subject to the provisions of this act, declare quarterly or half-yearly dividends of so much of the profits of the bank as to the majority of them seems advisable.

2. The directors shall give at least thirty days' public notice of the payment of such dividends previously to the date fixed for such payment.

3. The directors may close the transfer books during a certain time, not exceeding fifteen days, before the payment of each dvidend. (53 V., c. 31, s. 47.)

58. No dividend or bonus shall ever be declared so as to impair the paid-up capital of the bank.

2. The directors who knowingly and wilfully concur in the declaration or making payable of any dividend or bonus whereby the paid-up capital of the bank is impaired shall be jointly and severally liable for the amount of such dividend or bonus as a debt due by them to the bank. (53 V., c. 31, s. 48.)

59. No division of profits, either by way of dividends or bonus, or both combined, or in any other way, exceeding

the rate of eight per centum per annum, shall be made by the bank unless after making the same the bank has a rest or reserve fund equal to at least thirty per cent of its paid-up capital after deducting all bad and doubtful debts. (53 V., c. 31, s. 49.)

CASH RESERVES.

60. The bank shall hold not less than forty per centum of its cash reserves in dominion notes.

2. The minister shall make such arrangements as are necessary for ensuring the delivery of dominion notes to any bank in exchange for an equivalent amount of specie at the several offices at which dominion notes are redeemable in the cities of Toronto, Montreal, Halifax, St. John, Winnipeg, Victoria, and Charlottetown, respectively.

3. Such notes shall be redeemable at the office for redemption of dominion notes in the place where the specie is given in exchange. (53 V., c. 31, s. 50.)

THE ISSUE AND CIRCULATION OF NOTES.

61. The bank may issue and reissue notes payable to bearer on demand and intended for circulation: *Provided*, That (*a*) the bank shall not, during any period of suspension of payment of its liabilities issue or reissue any such notes; and (*b*) if, after any such suspension, the bank resumes business without the consent in writing of the curator, hereinafter provided for, it shall not issue or reissue any of such notes until authorized by the treasury board so to do.

2. No such note shall be for a sum less than five dollars or for any sum which is not a multiple of five dollars.

3. The total amount of such notes in circulation at any time shall not exceed the amount of the unimpaired paid-up capital of the bank.

4. Notwithstanding anything in this section contained, the total amount of such notes of the Bank of British

North America in circulation at any time shall not exceed seventy-five per centum of the unimpaired paid-up capital of the bank: *Provided*, That (*a*) the bank may issue such notes in excess of the said seventy-five per centum upon depositing with the minister, in respect of the excess, in cash or bonds of the Dominion of Canada, an amount equal to the excess; and the cash or bonds so deposited shall, in the event of the suspension of the bank, be available by the minister for the redemption of the notes issued in excess as aforesaid; and (*b*) the total amount of such notes of the bank in circulation at any time shall in no case exceed its unimpaired paid-up capital.

5. All notes heretofore issued or reissued by any bank and now in circulation, which are for a sum less than five dollars or for a sum which is not a multiple of five dollars, shall be called in and canceled as soon as practicable. (53 V., c. 31, s. 51; 63–64 V., c. 26, s. 10.)

62. Notwithstanding the provisions of the last preceding section, any bank may issue and reissue, at any office or agency of the bank in any British colony or possession other than Canada, notes of the bank payable to bearer on demand and intended for circulation in such colony or possession, for the sum of one pound sterling each, or for any multiple of such sum, or for the sum of five dollars each, or for any multiple of such sum, of the dollars in commercial use in such colony or possession, if the issue or reissue of such notes is not forbidden by the laws of such colony or possession.

2. No issue of notes of the denomination of five such dollars, or any multiple thereof, shall be made in any such British colony or possession unless nor until the governor in council on the report of the treasury board determines the rate in Canadian currency at which such notes shall be circulated as forming part of the total amount of the

notes in circulation within the meaning of the last preceding section.

3. The notes so issued shall be redeemable at par at any office or agency of the bank in the colony or possession in which they are issued for circulation and not elsewhere, except as in this section specially provided; and the place of redemption of such notes shall be legibly printed or stamped across the face of each note so issued.

4. In the event of the bank ceasing to have an office or agency in any such British colony or possession, all notes issued in such colony or possession under the provisions of this section shall become payable and redeemable at the rate of four dollars and eighty-six and two-thirds cents per pound sterling, or, in the case of the issue of notes of the denomination of five dollars or any multiple thereof, of the dollars in commercial use in such colony or possession, at the rate established by the governor in council as required by this section, in the same manner as notes of the bank issued in Canada are payable and redeemable.

5. The amount of the notes at any time in circulation in any such colony or possession, issued under the provisions of this section, shall, at the rate mentioned in the last preceding subsection, form part of the total amount of the notes in circulation within the meaning of the last preceding section, and, except as herein otherwise specially provided, shall be subject to all the provisions of this act.

6. No notes issued for circulation in a British colony or possession other than Canada shall be reissued in Canada.

7. Nothing in this section contained shall be construed to authorize any bank (*a*) to increase the total amount of its notes in circulation in Canada and elsewhere beyond the limit fixed by the last preceding section, or (*b*) to issue or reissue in Canada notes payable to bearer on demand and intended for circulation for a sum less than

five dollars or for a sum which is not a multiple of five dollars. (4 E. VII., c. 3, ss. 1, 2, 3, and 4.)

63. The bank shall not pledge, assign, or hypothecate its notes; and no advance or loan made on the security of the notes of a bank shall be recoverable from the bank or its assets. (53 V., c. 31, s. 52.)

64. The moneys heretofore paid to and now deposited with the minister by the banks to which this act applies, constituting the fund known as the bank circulation redemption fund, shall continue to be held by the minister for the purposes and subject to the provisions in this section mentioned and contained.

2. The minister shall, upon the issue of a certificate under this act authorizing a bank to issue notes and commence the business of banking, retain, out of any moneys of such bank then in his possession, the sum of five thousand dollars, which sum shall be held for the purposes of this section until the annual adjustment hereinafter provided for takes place in the year then next following.

3. The amount at the credit of such bank shall, at such next annual adjustment, be adjusted by payment to or by the bank of such sum as is necessary to make the amount of money at the credit of the bank equal to five per centum of the average amount of its notes in circulation from the time it commenced business to the time of such adjustment, and such sum shall thereafter be adjusted annually as hereinafter provided.

4. The amounts heretofore and from time to time hereafter paid, to be retained and held by the minister as by this section provided, shall continue to form and shall form the circulation fund.

5. The circulation fund shall continue to be held as heretofore for the sole purpose of payment, in the event of the suspension by a bank of payment in specie or Dominion notes of any of its liabilities as they accrue, of the notes

then issued or reissued by such bank, intended for circulation, and then in circulation, and interest thereon.

6. The circulation fund shall bear interest at the rate of three per centum per annum.

7. The circulation fund shall be adjusted, as soon as possible after the thirtieth day of June in each year, in such a way as to make the amount at the credit of each bank contributing thereto, unless herein otherwise specially provided, equal to five per centum of the average note circulation of such bank during the then last preceding twelve months.

8. The average note circulation of a bank during any period shall be determined from the average of the amount of its notes in circulation, as shown by the monthly returns for such period made by the bank to the minister; and where, in any return, the greatest amount of notes in circulation at any time during the month is given, such amount shall, for the purposes of this section, be taken to be the amount of the notes of the bank in circulation during the month to which such return relates.

9. The minister shall with respect to all notes paid out of the circulation fund have the same rights as any other holder of the notes of the bank: *Provided*, That all such notes, and all interest thereon, so paid by the minister, after the amount at the credit of such bank in the circulation fund, and all interest due or accruing due thereon, has been exhausted, shall bear interest, at the rate of three per centum per annum, from the time such notes and interest are paid until such notes and interest are repaid to the minister by or out of the assets of such bank. (53 V., c. 31, s. 54; 63–64 V., c. 26, s. 13.)

65. In the event of the suspension by a bank of payment in specie or Dominion notes of any of its liabilities as they accrue, the notes of the bank, issued or reissued, intended for circulation, and then in circulation, shall bear interest at the rate of five per centum per annum,

from the day of the suspension to such day as is named by the directors, or by the liquidator, receiver, assignee, or other proper official, for the payment thereof.

2. Notice of such day shall be given by advertising for at least three days in a newspaper published in the place in which the head office of the bank is situate.

3. If any notes presented for payment on or after any day named for payment thereof are not paid, all notes then unpaid and in circulation shall continue to bear interest until such further day as is named for payment thereof, of which day notice shall be given in manner hereinbefore provided.

4. If the directors of the bank or the liquidator, receiver, assignee, or other proper official fails to make arrangements, within two months from the day of the suspension of payment by the bank, for the payment of all of its notes and interest thereon, the minister may make arrangements for the payment, out of the circulation fund, of the notes remaining unpaid and all interest thereon, and the minister shall give such notice of the payment as he thinks expedient.

5. Nothwithstanding anything herein contained all interest upon such notes shall cease upon and from the date named by the minister for such payment.

6. Nothing herein contained shall be construed to impose any liability upon the government of Canada, or upon the minister, beyond the amount available from time to time out of the circulation fund. (53 V., c. 31, s. 54; 63–64 V., c. 26, s. 11.)

66. All payments made from the circulation fund shall be without regard to the amount contributed thereto by the bank in respect of whose notes the payments are made.

2. If the payments from the circulation fund exceed the amount contributed to the circulation fund by the bank so suspending payment, and all interest due or accruing due to such bank thereon, the other banks to which this

act applies shall, on demand, made good to the circulation fund the amount of the excess, proportionately to the amount which each such other bank had or should have contributed to the circulation fund, at the time of the suspension of the bank in respect of whose notes the payments are made: *Provided*, That (*a*) each of such other banks shall only be called upon to make good to the circulation fund its share of the excess in payments not exceeding, in any one year, one per centum of the average amount of its notes in circulation; (*b*) such circulation shall be ascertained in such manner as the minister decides; and (*c*) the minister's decision shall be final.

3. All amounts recovered and received by the minister from the bank on account of which such payments were made shall, after the amount of such excess has been made good as aforesaid, be distributed among the banks contributing to make good such excess, proportionately to the amount contributed by each. (53 V., c. 31, s. 54; 63–64 V., c. 26, s. 12.)

67. In the event of the winding up of the business of a bank by reason of insolvency or otherwise, the treasury board may, on the application of the directors, or of the liquidator, receiver, assignee, or other proper official, and on being satisfied that proper arrangements have been made for the payment of the notes of the bank and any interest thereon, pay over to the directors, liquidator, receiver, assignee, or other proper official, the amount of the circulation fund at the credit of the bank, or such portion thereof as it thinks expedient. (53 V., c. 31, s. 54.)

68. The treasury board may make all such rules and regulations as it thinks expedient with reference to (*a*) the payment of any moneys out of the circulation fund, and the manner, place, and time of such payments; (*b*) the collection of all amounts due to the circulation fund; (*c*) all accounts to be kept in connection therewith; and

(*d*) generally the management of the circulation fund and all matters relating thereto. (53 V., c. 31, s. 54.)

69. The minister may, in his official name, by action in the exchequer court of Canada, enforce payment, with cost of action, of any sum due and payable by any bank which should form part of the circulation fund. (53 V., c. 31, s. 54.)

70. The bank shall make such arrangements as are necessary to insure the circulation at par, in any and every part of Canada, of all notes issued or reissued by it and intended for circulation; and towards this purpose the bank shall establish agencies for the redemption and payment of its notes at the cities of Toronto, Montreal, Halifax, St. John, Winnipeg, Victoria, and Charlottetown, and at such other places as are from time to time designated by the treasury board. (53 V., c. 31, s. 55.)

71. The bank shall always receive in payment its own notes at par at any of its offices, and whether they are made payable there or not.

2. The chief place of business of the bank shall always be one of the places at which its notes are made payable. (53 V., c. 31, s. 56.)

72. The bank, when making any payment, shall, on the request of the person to whom the payment is to be made, pay the same, or such part thereof, not exceeding one hundred dollars, as such person requests, in Dominion notes for one, two, or four dollars each, at the option of such person.

2. No payment, whether in Dominion notes or bank notes, shall be made in bills that are torn or partially defaced by excessive handling. (53 V., c. 31, s. 57.)

73. The bonds, obligations, and bills, obligatory or of credit, of the bank under its corporate seal, signed by the president or vice-president, and countersigned by a cashier or assistant cashier, which are made payable to any person, shall be assignable by indorsement thereon.

2. The bills or notes of the bank signed by the president, vice-president, cashier, or other officer appointed by the directors of the bank to sign the same, promising the payment of money to any person, or to his order, or to the bearer, though not under the corporate seal of the bank, shall be binding and obligatory on the bank, in like manner and with the like force and effect as they would be upon any private person, if issued by him in his private or natural capacity, and shall be assignable in like manner as if they were so issued by a private person in his natural capacity.

3. The directors of the bank may, from time to time, authorize or depute any cashier, assistant cashier, or officer of the bank, or any director other than the president or vice-president, or any cashier, manager, or local director of any branch or office of discount and deposit of the bank, to sign the notes of the bank intended for circulation. (53 V., c. 31, s. 58.)

74. All bank notes and bills whereon the name of any person intrusted or authorized to sign such notes or bills on behalf of the bank is impressed by machinery provided for that purpose, by or with the authority of the bank, shall be good and valid to all intents and purposes, as if such notes and bills had been subscribed in the proper handwriting of the person intrusted or authorized by the bank to sign the same respectively, and shall be bank notes and bills within the meaning of all laws and statutes whatever, and may be described as bank notes or bills in all indictments and civil or criminal proceedings whatever: *Provided*, That at least one signature to each note or bill must be in the actual handwriting of a person authorized to sign such note or bill. (53 V., c. 31, s. 59.)

75. Every officer charged with the receipt or disbursement of public moneys, and every officer of any bank, and every person acting as or employed by any banker, shall

stamp or write in plain letters, upon every counterfeit or fraudulent note issued in the form of a Dominion or bank note, and intended to circulate as money, which is presented to him at his place of business, the word, "Counterfeit," "Altered," or "Worthless."

2. If such officer or person wrongfully stamps any genuine note he shall, upon presentation, redeem it at the face value thereof. (53 V., c. 31, s. 62.)

THE BUSINESS AND POWERS OF A BANK.

76. The bank may (*a*) open branches, agencies and offices; (*b*) engage in and carry on business as a dealer in gold and silver coin and bullion; (*c*) deal in, discount and lend money and make advances upon the security of, and take as collateral security for any loan made by it, bills of exchange, promissory notes, and other negotiable securities, or the stock, bonds, debentures, and obligations of municipal and other corporations, whether secured by mortgage or otherwise, or Dominion, provincial, British, foreign and other public securities; and, (*d*) engage in and carry on such business generally as appertains to the business of banking.

2. Except as authorized by this act, the bank shall not, either directly or indirectly, (*a*) deal in the buying or selling, or bartering of goods, wares, and merchandise, or engage or be engaged in any trade or business whatsoever; (*b*) purchase, or deal in, or lend money, or make advances upon the security or pledge of any share of its own capital stock, or of the capital stock of any bank; or, (*c*) lend money or make advances upon the security, mortgage or hypothecation of any lands, tenements, or immovable property, or of any ships or other vessels, or upon the security of any goods, wares, and merchandise. (53 V., c. 31, s. 64.)

77. The bank shall have a privileged lien, for any debt or liability for any debt to the bank, on the shares of its own capital stock, and on any unpaid dividends of the debtor or person liable, and may decline to allow any transfer of the shares of such debtor or person until the debt is paid.

2. The bank shall, within twelve months after the debt has accrued and become payable, sell such shares: *Provided*, That notice shall be given to the holder of the shares of the intention of the bank to sell the same, by mailing the notice, in the post office, post paid, to the last known address of the holder, at least thirty days prior to the sale.

3. Upon the sale being made the president, vice-president, manager or cashier shall execute a transfer of the shares to the purchaser thereof in the usual transfer book of the bank.

4. Such transfers shall vest in the purchaser all the rights in or to the said shares which were possessed by the holder thereof, with the same obligation of warranty on his part as if he were the vendor thereof, but without any warranty from the bank or by the officer of the bank executing the transfer. (53 V., c. 31, s. 65.)

78. The stock, bonds, debentures or securities, acquired and held by the bank as collateral security, may, in case of default in the payment of the debt, for the securing of which they were so acquired and held, be dealt with, sold and conveyed, either in like manner and subject to the same restrictions as are herein provided in respect of stock of the bank on which it has acquired a lien under this act, or in like manner as and subject to the restrictions under which a private individual might in like circumstances deal with, sell and convey the same: *Provided*, That the bank shall not be obliged to sell within twelve months.

2. The right so to deal with and dispose of such stock, bonds, debentures or securities in manner aforesaid may be waived or varied by any agreement between the bank

and the owner of the stock, bonds, debentures or securities, made at the time at which such debt was incurred, or, if the time of payment of the debt has been extended, then by an agreement made at the time of the extension. (53 V., c. 31, s. 66.)

79. The bank may acquire and hold real and immovable property for its actual use and occupation and the management of its business, and may sell or dispose of the same and acquire other property in its stead for the same purpose. (53 V., c. 31, s. 67.)

80. The bank may take, hold and dispose of mortgages and hypothèques upon real or personal, immovable or movable property, by way of additional security for debts contracted to the bank in the course of its business.

2. The rights, powers, and privileges which the bank is by this act declared to have, or to have had, in respect of real or immovable property mortgaged to it, shall be held and possessed by it in respect of any personal or movable property which is mortgaged or hypothecated to the bank. (53 V., c. 31, s. 68.)

81. The bank may purchase any lands or real or immovable property offered for sale (*a*) under execution, or in insolvency, or under the order or decree of a court, as belonging to any debtor to the bank; or (*b*) by a mortgagee or other encumbrancer, having priority over a mortgage or other encumbrance held by the bank; or (*c*) by the bank under a power of sale given to it for that purpose; in cases in which, under similar circumstances, an individual could so purchase, without any restriction as to the value of the property which it may so purchase, and may acquire a title thereto as any individual, purchasing at sheriff's sale, or under a power of sale, in like circumstances could do, and may take, have, hold, and dispose of the same at pleasure. (53 V., c. 31, s. 69.)

82. The bank may acquire and hold an absolute title in or to real or immovable property mortgaged to it as secur-

ity for a debt due or owing to it, either by the obtaining of a release of the equity of redemption in the mortgaged property, or by procuring a foreclosure, or by other means whereby, as between individuals, an equity of redemption can, by law, be barred, and may purchase and acquire any prior mortgage or charge on such property.

2. Nothing in any charter, act or law shall be construed as ever having been intended to prevent or as preventing the bank from acquiring and holding an absolute title to and in any such mortgaged real or immovable property, whatever the value thereof, or from exercising or acting upon any power of sale contained in any mortgage given to or held by the bank, authorizing or enabling it to sell or convey away any property so mortgaged. (53 V., c. 31, s. 71; 63–64 V., c. 26, s. 14.)

83. No bank shall hold any real or immovable property, howsoever acquired, except such as is required for its own use, for any period exceeding seven years from the date of the acquisition thereof, or any extension of such period as in this secton provided, and such property shall be absolutely sold or disposed of, within such period or extended period, as the case may be, so that the bank shall no longer retain any interest therein unless by way of security.

2. The treasury board may direct that the time for the sale or disposal of any such real or immovable property shall be extended for a further period or periods, not to exceed five years.

3. The whole period during which the bank may so hold such property under the foregoing provisions of this section shall not exceed twelve years from the date of the acquisition thereof.

4. Any real or immovable property, not required by the bank for its own use, held by the bank for a longer period than authorized by the foregoing provisions of this section shall be liable to be forfeited to His Majesty

for the use of the Dominion of Canada: *Provided*, That (*a*) no such forfeiture shall take effect until the expiration of at least six calendar months after notice in writing to the bank by the minister of the intention of His Majesty to claim the forfeiture; and, (*b*) the bank may, notwithstanding such notice, before the forfeiture is effected sell or dispose of the property free from liability to forfeiture.

5. The provisions of this section shall apply to any real or immovable property heretofore acquired by the bank and held by it at the time of the coming into force of this act. (63–64 V., c. 26, s. 14.)

84. The bank may lend money upon the security of standing timber, and the rights or licenses held by persons to cut or remove such timber. (63–64 V., c. 26, s. 16.)

85. Every bank advancing money in aid of the building of any ship or vessel shall have the same right of acquiring and holding security upon such ship or vessel, while building and when completed, either by way of mortgage, hypothèque, hypothecation, privilege or lien thereon, or purchase or transfer thereof, as individuals have in the province wherein the ship or vessel is being built.

2. The bank may, for the purpose of obtaining and enforcing such security, avail itself of all such rights and means, and shall be subject to all such obligations, limitations, and conditions, as are, by the law of such province, conferred or imposed upon individuals making such advances. (53 V., c. 31, s. 72.)

86. The bank may acquire and hold any warehouse receipt or bill of lading as collateral security for the payment of any debt incurred in its favour, or as security for any liability incurred by it for any person, in the course of its banking business.

2. Any warehouse receipt or bill of lading so acquired shall vest in the bank, from the date of the acquisition thereof, (*a*) all the right and title to such warehouse

receipt or bill of lading and to the goods covered thereby of the previous holder or owner thereof; or, (*b*) all the right and title to the goods, wares, and merchandise mentioned therein of the person from whom the same were received or acquired by the bank, if the warehouse receipt or bill of lading is made directly in favour of the bank, instead of to the previous holder or owner of such goods, wares and merchandise. (53 V., c. 31, s. 73; 63–64 V., c. 26, s. 15.)

87. If the previous holder of such warehouse receipt or bill of lading is any person, (*a*) entrusted with the possession of the goods, wares and merchandise mentioned therein, by or by the authority of the owner thereof; or, (*b*) to whom such goods, wares and merchandise are, by or by the authority of the owner thereof, consigned; or, (*c*) who, by or by the authority of the owner of such goods, wares and merchandise, is possessed of any bill of lading, receipt, order or other document covering the same, such as is used in the course of business as proof of the possession or control of goods, wares and merchandise, or as authorizing or purporting to authorize, either by endorsement or by delivery, the possessor of such a document to transfer or receive the goods, wares and merchandise thereby represented; the bank shall be, upon the acquisition of such warehouse receipt or bill of lading, vested with all the right and title of the owner of such goods, wares and merchandise, subject to the right of the owner to have the same retransferred to him if the debt or liability, as security for which such warehouse receipt or bill of lading is held by the bank, is paid.

2. Any person shall be deemed to be the possessor of such goods, wares and merchandise, bill of lading, receipt, order or other document as aforesaid, (*a*) who is in actual possession thereof; or, (*b*) for whom, or subject to whose control, the same are held by any person. (53 V., c. 31, s. 73; 63–64 V., c. 26, s. 15.)

88. The bank may lend money to any wholesale purchaser or shipper of or dealer in products of agriculture, the forest, quarry and mine, or the sea, lakes and rivers, or to any wholesale purchaser or shipper of or dealer in live stock or dead stock and the products thereof, upon the security of such products, or of such live stock or dead stock and the products thereof.

2. The bank may allow the goods, wares and merchandise covered by such security to be removed and other goods, wares and merchandise, such as mentioned in the last preceding subsection, to be substituted therefor, if the goods, wares and merchandise so substituted are of substantially the same character, and of substantially the same value as, or of less value than, those for which they have been so substituted; and the goods, wares and merchandise so substituted shall be covered by such security as if originally covered thereby.

3. The bank may lend money to any person engaged in business as a wholesale manufacturer of any goods, wares and merchandise, upon the security of the goods, wares and merchandise manufactured by him, or procured for such manufacture.

4. Any such security, as mentioned in the foregoing provisions of this section, may be given by the owner of said goods, wares and merchandise, stock or products.

5. The security may be taken in the form set forth in Schedule C to this act, or to the like effect.

6. The bank shall, by virtue of such security, acquire the same rights and powers in respect to the goods, wares and merchandise, stock or products covered thereby, as if it had acquired the same by virtue of a warehouse receipt. (53 V., c. 31, s. 74; 63–64 V., c. 26, s. 17.)

89. If goods, wares and merchandise are manufactured or produced from the goods, wares and merchandise, or any of them, included in or covered by any warehouse receipt, or included in or covered by any security given under the

last preceding section, while so covered, the bank holding such warehouse receipt or security shall hold or continue to hold such goods, wares and merchandise, during the process and after the completion of such manufacture or production, with the same right and title, and for the same purposes and upon the same conditions, as it held or could have held the original goods, wares and merchandise.

2. All advances made on the security of any bill of lading or warehouse receipt, or of any security given under the last preceding section, shall give to the bank making the advances a claim for the repayment of the advances on the goods, wares and merchandise therein mentioned, or into which they have been converted, prior to and by preference over the claim of any unpaid vendor: *Provided*, That such preference shall not be given over the claim of any unpaid vendor who had a lien upon the goods, wares and merchandise at the time of the acquisition by the bank of such warehouse receipt, bill of lading, or security, unless the same was acquired without knowledge on the part of the bank of such lien.

3. In the event of the non-payment at maturity of any debt or liability secured by a warehouse receipt or bill of lading, or secured by any security given under the last preceding section, the bank may sell the goods, wares and merchandise mentioned therein, or so much thereof as will suffice to pay such debt or liability with interest and expenses, returning the surplus, if any, to the person from whom the warehouse receipt, bill of lading, or security, or the goods, wares and merchandise mentioned therein, as the case may be, were acquired: *Provided*, That such power of sale shall be exercised subject to the following provisions, namely: (*a*) No sale, without the consent in writing of the owner of any timber, boards, deals, staves, saw-logs or other lumber, shall be made under this act until notice of the time and place of such sale has been given by a regis-

tered letter, mailed in the post office, post paid, to the last known address of the pledger thereof, at least thirty days prior to the sale thereof; (*b*) no goods, wares and merchandise, other than timber, boards, deals, staves, saw-logs or other lumber, shall be sold by the bank under this act without the consent of the owner until notice of the time and place of sale has been given by a registered letter, mailed in the post-office, post paid, to the last known address of the pledger thereof, at least ten days prior to the sale thereof; (*c*) every sale under such power of sale without the consent of the owner shall be made by public auction, after notice thereof by advertisement in at least two newspapers published in or nearest to the place where the sale is to be made, stating the time and place thereof; and, if the sale is in the province of Quebec, then at least one of such newspapers shall be a newspaper published in the English language, and one other such newspaper shall be a newspaper published in the French language. (53 V., c. 31, ss. 76, 77 and 78; 63–64 V., c. 26, s. 19.)

90. The bank shall not acquire or hold any warehouse receipt or bill of lading, or any such security as aforesaid, to secure the payment of any bill, note, debt, or liability, unless such bill, note, debt, or liability is negotiated or contracted (*a*) at the time of the acquisition thereof by the bank, or (*b*) upon the written promise or agreement that such warehouse receipt or bill of lading or security would be given to the bank: *Provided*, That such bill, note, debt, or liability may be renewed, or the time for the payment thereof extended, without affecting any such security.

2. The bank may (*a*) on shipment of any goods, wares and merchandise for which it holds a warehouse receipt, or any such security as aforesaid, surrender such receipt or security and receive a bill of lading in exchange therefor or (*b*) on the receipt of any goods, wares and merchandise for which it holds a bill of lading, or any such security as aforesaid, surrender such bill of lading or secu-

rity, store the goods, wares and merchandise, and take a warehouse receipt therefor, or ship the goods, wares and merchandise, or part of them, and take another bill of lading therefor. (53 V., c. 31, s. 75; 63–64 V., c. 26, s. 18.)

91. The bank may stipulate for, take, reserve or exact any rate of interest or discount, not exceeding seven per centum per annum, and may receive and take in advance any such rate, but no higher rate of interest shall be recoverable by the bank. (53 V., c. 31, s. 80.)

92. The bank may allow any rate of interest whatever upon money deposited with it. (53 V., c. 31, s. 80.)

93. When any note, bill, or other negotiable security or paper, payable at any of the bank's places or seats of business, branches, agencies or offices of discount and deposit in Canada, is discounted at any other of the bank's places or seats of business, branches, agencies or offices of discount and deposit, the bank may, in order to defray the expenses attending the collection thereof, receive or retain, in addition to the discount thereon, a percentage calculated upon the amount of such note, bill, or other negotiable security or paper, not exceeding, if the note, bill, or other negotiable security or paper is to run (*a*) for less than thirty days, one-eighth of one per centum; (*b*) for thirty days or over but less than sixty days, one-fourth of one per centum; (*c*) for sixty days or over but less than ninety days, three-eighths of one per centum; and (*d*) for ninety days or over, one-half of one per centum. (53 V., c. 31, s. 82.)

94. The bank may, in discounting any note, bill, or other negotiable security or paper, bona fide payable at any place in Canada other than that at which it is discounted, and other than one of its own places or seats of business, branches, agencies, or offices of discount and deposit in Canada, receive and retain, in addition to the discount thereon, a sum not exceeding one-half of one per centum on the amount thereof to defray the expenses

of agency and charges in collecting the same. (53 V., c. 31, s. 83.)

95. The bank may, subject to the provisions of this section, without the authority, aid, assistance, or intervention of any other person or official being required (*a*) receive deposits from any person whomsoever, whatever his age, status, or condition in life, and whether such person is qualified by law to enter into ordinary contracts or not, and (*b*) from time to time repay any or all of the principal thereof, and pay the whole or any part of the interest thereon to such person, unless before such repayment the money so deposited in the bank is lawfully claimed as the property of some other person.

2. In the case of any such lawful claim the money so deposited may be paid to the depositor with the consent of the claimant, or to the claimant with the consent of the depositor.

3. If the person making any such deposit could not, under the law of the province where the deposit is made, deposit and withdraw money in and from a bank without this section, the total amount to be received from such person on deposit shall not at any time exceed the sum of five hundred dollars. (53 V., c. 31, s. 84.)

96. The bank shall not be bound to see to the execution of any trust, whether expressed, implied, or constructive, to which any deposit made under the authority of this act is subject.

2. Except only in the case of a lawful claim, by some other person before repayment, the receipt of the person in whose name any such deposit stands, or, if it stands in the names of two persons, the receipt of one, or, if it stands in the names of more than two persons, the receipt of a majority of such persons, shall, notwithstanding any trust to which such deposit is then subject, and whether or not the bank sought to be charged with such trust, and with which the deposit has been made, had notice thereof,

be a sufficient discharge to all concerned for the payment of any money payable in respect of such deposit.

3. The bank shall not be bound to see to the application of the money paid upon such receipt. (53 V., c. 31, s. 84.)

97. If a person dies, having a deposit with the bank not exceeding the sum of five hundred dollars, the production to the bank and deposit with it of (*a*) any authenticated copy of the probate of the will of the deceased depositor, or of letters of administration of his estate, or of letters of verification of heirship, or of the act of curatorship or tutorship, granted by any court in Canada having power to grant the same, or by any court or authority in England, Wales, Ireland, or any British colony, or of any testament, testamentary or testament dative expede in Scotland; or, (*b*) an authentic notarial copy of the will of the deceased depositor, if such will is in notarial form, according to the law of the Province of Quebec; or, (*c*) if the deceased depositor died out of His Majesty's dominions, any authenticated copy of the probate of his will, or letters of administration of his property, or other document of like import, granted by any court or authority having the requisite power in such matters, shall be sufficient justification and authority to the directors for paying such deposit, in pursuance of and in conformity to such probate, letters of administration, or other document as aforesaid. (63–64 V., c. 26, s. 20.)

DOMINION GOVERNMENT CHEQUES.

98. The bank shall not charge any discount or commission for the cashing of any official cheque of the government of Canada or of any department thereof, whether drawn on the bank cashing the cheque or on any other bank. (53 V., c. 31, s. 103.)

THE PURCHASE OF THE ASSETS OF A BANK.

99. Any bank may sell the whole or any portion of its assets to any other bank which may purchase such assets; and the selling and purchasing banks may, for such purposes, enter into an agreement of sale and purchase, which agreement shall contain all the terms and conditions connected with the sale and purchase of such assets. (63–64 V., c. 26, s. 33.)

100. The consideration for any such sale and purchase may be as agreed upon between the selling and purchasing banks.

2. If the consideration, or any portion thereof, is shares of the capital stock of the purchasing bank, the agreement shall provide for the amount of the shares of the purchasing bank to be paid to the selling bank.

3. Until such shares so paid to the selling bank have been sold by such bank, or have been distributed among and accepted by the shareholders of such bank, they shall not be considered issued shares of the purchasing bank for the purposes of its note circulation. (63–64 V., c. 26, s. 34.)

101. The agreement of sale and purchase shall be submitted to the shareholders of the selling bank, either at the annual general meeting of such bank or at a special general meeting thereof called for the purpose.

2. A copy of the agreement shall be mailed, postpaid, to each shareholder of such bank to his last known address, at least four weeks previously to the date of the meeting at which the agreement is to be submitted, together with a notice of the time and place of the holding of such meeting. (63–64 V., c. 26, s. 35.)

102. If at such meeting the agreement is approved by resolution carried by the votes of shareholders, present in person or represented by proxy, representing not less than two-thirds of the amount of the subscribed capital

stock of the bank, the agreement may be executed under the seals of the banks, parties thereto, and application may be made to the governor in council, through the minister, for approval thereof.

2. Until the agreement is approved by the governor in council it shall not be of any force or effect. (63–64 V., c. 26, s. 36.)

103. If the agreement provides for the payment of the consideration for such sale and purchase, in whole or in part, in shares of the capital stock of the purchasing bank, and for such purpose it is necessary to increase the capital stock of such bank, the agreement shall not be executed on behalf of the purchasing bank, unless nor until it is approved by the shareholders thereof at the annual general meeting, or at a special general meeting of such shareholders. (63–64 V., c. 26, s. 37.)

104. The governor in council may, on the application for his approval of the agreement, approve of the increase of the capital stock of the purchasing bank, which is necessary to provide for the payment of the shares of such bank to the selling bank, as provided in the said agreement. (63–64 V., c. 26, s. 38.)

105. The provisions of this act with regard to (*a*) the increase of the capital stock of the bank by by-law of the shareholders approved by the treasury board; and (*b*) the allotment and sale of such increased stock shall not apply to any increase of stock made or provided for under the authority of the last two preceding sections. (63–64 V., c. 26, s. 38.)

106. The approval of the governor in council shall not be given to the agreement unless (*a*) the approval thereof is recommended by the treasury board; (*b*) the application for approval thereof is made, by or on behalf of the bank executing it, within three months from the date of execution of the agreement; and (*c*) it appears to the satisfaction of the governor in council that all the require-

ments of this act in connection with the approval of the agreement by the shareholders of the selling and purchasing banks have been complied with, and that notice of the intention of the banks to apply to the governor in council for the approval of the agreement has been published for at least four weeks in the Canada Gazette, and in one or more newspapers published in places where the chief offices or places of business of the banks are situate.

2. Such banks shall afford all information that the minister requires.

3. Nothing herein contained shall be construed to prevent the governor in council or the treasury board from refusing to approve of the agreement or to recommend its approval. (63–64 V., c. 26, s. 39.)

107. The agreement shall not be approved of unless it appears that (*a*) proper provisions have been made for the payment of the liabilities of the selling bank; (*b*) the agreement provides for the assumption and payment by the purchasing bank of the notes of the selling bank issued and intended for circulation, outstanding and in circulation; and, (*c*) the amounts of the notes of both the purchasing and selling banks, issued for circulation, outstanding and in circulation, as shown by the then last monthly returns of the banks, do not together exceed the then paid-up capital of the purchasing bank; or, if the amount of such notes does exceed such paid-up capital, an amount in cash, equal to the excess of such notes over such paid-up capital, has been deposited by the purchasing bank with the minister.

2. The amount so deposited as aforesaid shall be held by the minister as security for the redemption of the said excess of notes; and, when such excess, or any portion thereof, has been redeemed and cancelled, the amount so deposited, or an amount equal to the amount of excess so redeemed and cancelled, shall, from time to time, be repaid by the minister to the purchasing bank, but with-

out interest, on the application of such bank, and on the production of such evidence as the minister may require to show that the notes in regard to which such repayment is asked have been redeemed and cancelled. (63–64 V., c. 27, s. 1.)

108. The notes of the selling bank so assumed and to be paid by the purchasing bank shall, on the approval of the agreement, be deemed to be, for all intents and purposes, notes of the purchasing bank issued for circulation; and the purchasing bank shall be liable in the same manner and to the same extent as if it had issued them for circulation.

2. The amount at the credit of the selling bank in the circulation fund shall, on the approval of the agreement, be transferred to the credit of the purchasing bank.

3. The notes of the selling bank shall not be reissued, but shall be called in, redeemed, and cancelled as quickly as possible. (63–64 V., c. 26, s. 41.)

109. The approval by the governor in council of the agreement shall be evidenced by a certified copy of the order in council approving thereof.

2. Such certified copy shall be conclusive evidence of the approval of the agreement therein referred to, and of the regularity of all proceedings in connection therewith. (63–64 V., c. 26, s. 42.)

110. On the agreement being approved of by the governor in council, the assets therein referred to as sold and purchased shall, in accordance with and subject to the terms thereof, and without any further conveyance, become vested in the purchasing bank.

2. The selling bank shall, from time to time, subject to the terms of the agreement, execute such formal and separate conveyances, assignments, and assurances, for registration purposes or otherwise, as are reasonably required to confirm or evidence the vesting in the pur-

chasing bank of the full title or ownership of the assets referred to in the agreement (63–64 V., c. 26, s. 43.)

111. As soon as the agreement is approved of by the governor in council, the selling bank shall cease to issue or reissue notes for circulation, and shall cease to transact any business, except such as is necessary to enable it to carry out the agreement, to realize upon any assets not included in the agreement, to pay and discharge its liabilities, and generally to wind up its business; and the charter or act of incorporation of such bank, and any acts in amendment thereof then in force, shall continue in force only for the purposes in this section specified. (63–64 V., c. 26, s. 44.)

RETURNS.

112. Monthly returns shall be made by the bank to the minister in the form set forth in Schedule D to this act.

2. Such returns shall be made up and sent in within the first fifteen days of each month, and shall exhibit the condition of the bank on the last juridical day of the month last preceding.

3. Such returns shall be signed by the chief accountant and by the president, or vice-president, or the director then acting as president, and by the manager, cashier, or other principal officer of the bank at its chief place of business. (53 V., c. 31, s. 85.)

113. The minister may also call for special returns from any bank, whenever, in his judgment, they are necessary to afford a full and complete knowledge of its condition.

2. Such special returns shall be made and signed in the manner and by the persons specified in the last preceding section.

3. Such special returns shall be made and sent in within thirty days from the date of the demand therefor by the minister: *Provided*, That the minister may extend the time for sending in such special returns for such further

period, not exceeding thirty days, as he thinks expedient. (53 V., c. 31, s. 86.)

114. The bank shall, within twenty days after the close of each calendar year, transmit or deliver to the minister a return (*a*) of all dividends which have remained unpaid for more than five years; and (*b*) of all amounts or balances in respect of which no transactions have taken place, or upon which no interest has been paid, during the five years prior to the date of such return: *Provided*, That, in the case of moneys deposited for a fixed period, the said term of five years shall be reckoned from the date of the termination of such fixed period.

2. The return mentioned in the last preceding subsection shall set forth (*a*) the name of each shareholder or creditor to whom such dividends, amounts, or balances are, according to the books of the bank, payable; (*b*) the last known address of each such shareholder or creditor; (*c*) the amount due to each such shareholder or creditor; (*d*) the agency of the bank at which the last transaction took place; (*e*) the date of such last transaction; and, (*f*) if such shareholder or creditor is known to the bank to be dead, the names and addresses of his legal representatives, so far as known to the bank.

3. The bank shall likewise, within twenty days after the close of each calendar year, transmit or deliver to the minister a return of all drafts or bills of exchange issued by the bank to any person and remaining unpaid for more than five years prior to the date of such return, setting forth, so far as known, (*a*) the names of the persons to whom or at whose request such drafts or bills of exchange were issued; (*b*) the addresses of such persons; (*c*) the names of the payees of such drafts or bills of exchange; (*d*) the amounts and dates of such drafts or bills of exchange; (*e*) the names of the places where such drafts or bills of exchange were payable; and (*f*) the agencies of the

bank, respectively, from which such drafts or bills of exchange were issued.

4. The returns required by the foregoing provisions of this section shall be signed by the chief accountant, and by the president or vice-president or the director then acting as president, and by the manager, cashier, or other principal officer of the bank, at its chief place of business.

5. The bank shall also, within twenty days after the close of each calendar year, transmit or deliver to the minister a certified list showing (*a*) the names of the shareholders of the bank on the last day of such calendar year, with their additions and residences; (*b*) the number of shares then held by them, respectively; and (*c*) the value at par of such shares.

6. The minister shall lay such returns and lists before Parliament at the next session thereof. (53 V., c. 31, ss. 87 and 88; 63-64 V., c. 26, s. 21.)

PAYMENTS TO THE MINISTER UPON WINDING UP.

115. If, in the event of the winding up of the business of the bank in insolvency, or under any general winding-up act, or otherwise, any moneys payable by the liquidator, either to shareholders or depositors, remain unclaimed (*a*) for the period of three years from the date of suspension of payment by the bank; or (*b*) for a like period from the commencement of the winding up of such business; or (*c*) until the final winding up of such business, if the business is finally wound up before the expiration of the said three years; such moneys and all interest thereon shall, notwithstanding any statute of limitations or other act relating to prescription, be paid to the minister, to be held by him subject to all rightful claims on behalf of any person other than the bank.

2. If a claim to any moneys so paid is thereafter established to the satisfaction of the treasury board, the governor in council shall, on the report of the treasury board,

direct payment thereof to be made to the person entitled thereto, together with interest on the principal sum thereof, at the rate of three per centum per annum, for a period not exceeding six years from the date of payment thereof to the minister as aforesaid: *Provided*, That no such interest shall be paid or payable on such principal sum unless interest thereon was payable by the bank paying the same to the minister.

3. Upon payment to the minister as herein provided, the bank and its assets shall be held to be discharged from further liability for the amounts so paid. (53 V., c. 31, s. 88.)

116. Upon the winding up of a bank in insolvency or under any general winding-up act, or otherwise, the assignees, liquidators, directors, or other officials in charge of such winding up, shall, before the final distribution of the assets, or within three years from the commencement of the suspension of payment by the bank, whichever shall first happen, pay over to the minister a sum, out of the assets of the bank, equal to the amount then outstanding of the notes intended for circulation issued by the bank.

2. Upon such payment being made, the bank and its assets shall be relieved from all further liability in respect of such outstanding notes.

3. The sum so paid shall be held by the minister and applied for the purpose of redeeming, whenever presented, such outstanding notes, without interest. (53 V., c. 31, s. 88.)

THE CURATOR.

117. The association shall, if a bank suspends payment in specie or Dominion notes of any of its liabilities as they accrue, forthwith appoint a curator to supervise the affairs of such bank.

2. The association may at any time remove the curator, and may appoint another person to act in his stead. (63–64 V., c. 26, s. 24.)

118. The appointment of the curator shall be made in the manner provided for in the by-law of the association made in that behalf as hereinafter provided.

2. If there is no such by-law the appointment shall be made in writing by the president of the association, or by the person acting as president. (63–64 V., c. 26, s. 25.)

119. The curator shall assume supervision of the affairs of the bank, and of all necessary arrangements for the payment of the notes of the bank issued for circulation, and, at the time of his appointment, outstanding and in circulation.

2. The curator shall generally have all powers and shall take all steps and do all things necessary or expedient to protect the rights and interests of the creditors and shareholders of the bank, and to conserve and ensure the proper disposition, according to law, of the assets of the bank; and, for the purposes of this section, he shall have free and full access to all books, accounts, documents, and papers of the bank.

3. The curator shall continue to supervise the affairs of the bank until he is removed from office, or until the bank resumes business, or until a liquidator is duly appointed to wind up the business of the bank. (63–64 V., c. 26, s. 26.)

120. The president, vice-president, directors, general manager, managers, clerks, and officers of the bank shall give and afford to the curator all such information and assistance as he requires in the discharge of his duties. (63–64 V., c. 26, s. 27.)

121. No by-law, regulation, resolution, or act, touching the affairs or management of the bank, passed, made, or done by the directors during the time the curator is in charge of the bank, shall be of any force or effect until

approved in writing by the curator. (63–64 V., c. 26, s. 27.)

122. The curator shall make all returns and reports, and shall give all information to the minister, touching the affairs of the bank, that the minister requires of him. (63–64 V., c. 26, s. 28.)

123. The remuneration of the curator for his services, and his expenses and disbursements in connection with the discharge of his duties, shall be fixed and determined by the association, and shall be paid out of the assets of the bank, and, in case of the winding up of the bank, shall rank on the estate equally with the remuneration of the liquidator. (63–64 V., c. 26, s. 29.)

BY-LAWS OF THE CANADIAN BANKERS' ASSOCIATION.

124. The association may, at any meeting thereof, with the approval of two-thirds in number of the banks represented at such meeting, if the banks so approving have at least two-thirds in par value of the paid-up capital of the banks so represented, make by-laws, rules and regulations respecting, (*a*) all matters relating to the appointment or removal of the curator, and his powers and duties; (*b*) the supervision of the making of the notes of the banks which are intended for circulation, and the delivery thereof to the banks; (*c*) the inspection of the disposition made by the banks of such notes; (*d*) the destruction of notes of the banks; and (*e*) the imposition of penalties for the breach or nonobservance of any by-law, rule or regulation made by virtue of this section.

2. No such by-law, rule or regulation, and no amendment or repeal thereof, shall be of any force or effect until approved by the treasury board.

3. Before any such by-law, rule or regulation, or any amendment or repeal thereof is so approved, the treasury board shall submit it to every bank which is not a member of the association, and give to each such bank an oppor-

tunity of being heard before the treasury board with respect thereto.

4. The association shall have all powers necessary to carry out, or to enforce the carrying out, of any by-law, rule or regulation, or any amendment thereof, so approved by the treasury board. (63-64 V., c. 26, ss. 30 and 31.)

INSOLVENCY.

125. In the event of the property and assets of the bank being insufficient to pay its debts and liabilities, each shareholder of the bank shall be liable for the deficiency, to an amount equal to the par value of the shares held by him, in addition to any amount not paid up on such shares. (53 V., c. 31, s. 89.)

126. The liability of the bank, under any law, custom or agreement to repay moneys deposited with it and interest, if any, and to pay dividends declared and payable on its capital stock, shall continue, notwithstanding any statute of limitations, or any enactment or law relating to prescription.

2. This section applies to moneys heretofore or hereafter deposited, and to dividends heretofore or hereafter declared. (53 V., c. 31, s. 90.)

127. Any suspension by the bank of payment of any of its liabilities as they accrue, in specie or Dominion notes, shall, if it continues for ninety days consecutively, or at intervals within twelve consecutive months, constitute the bank insolvent, and work a forfeiture of its charter or act of incorporation, so far as regards all further banking operations.

2. The charter or act of incorporation of the bank shall, in such case, remain in force only for the purpose of enabling the directors, or other lawful authority, to make and enforce the calls mentioned in the next following section of this act, and to wind up the business of the bank. (53 V., c. 31, s. 91.)

128. If any suspension of payment in full, in specie or Dominion notes, of all or any of the notes or other liabilities of the bank, continues for three months after the expiration of the time which, under the last preceding section, would constitute the bank insolvent, and if no proceedings are taken under any act for the winding up of the bank, the directors shall make calls on the shareholders thereof, to the amount they deem necessary to pay all the debts and liabilities of the bank, without waiting for the collection of any debts due to the bank or the sale of any of its assets or property.

2. Such calls shall be made at intervals of thirty days.

3. Such calls shall be made upon notice to be given at least thirty days prior to the day on which any such call shall be payable.

4. Any number of such calls may be made by one resolution.

5. No such call shall exceed twenty per centum on each share.

6. Payment of such calls may be enforced in like manner as payment of calls on unpaid stock may be enforced.

7. The first of such calls may be made within ten days after the expiration of the said three months.

8. In the event of proceedings being taken, under any act, for the winding up of the bank in consequence of the insolvency of the bank, the said calls shall be made in the manner prescribed for the making of such calls in such act.

9. Any failure on the part of any shareholder liable to any such call to pay the same when due, shall work a forfeiture by such shareholder of all claim in or to any part of the assets of the bank: *Provided*, That such call, and any further call thereafter, shall nevertheless be recoverable from him as if no such forfeiture had been incurred. (53 V., c. 31, ss. 92, 93, and 94.)

129. Nothing contained in the four sections last preceding shall be construed to alter or diminish the additional liabilities of the directors as herein mentioned and declared. (53 V., c. 31, s. 95.)

130. (*a*) Persons who, having been shareholders of the bank, have only transferred their shares, or any of them, to others, or registered the transfer thereof, within sixty days before the commencement of the suspension of payment by the bank; and, (*b*) Persons whose subscriptions to the stock of the bank have been cancelled, in manner hereinbefore provided, within the said period of sixty days before the commencement of the suspension of payment by the bank; shall be liable to all calls on the shares held or subscribed for by them, as if they held such shares at the time of such suspension of payment, saving their recourse against those by whom such shares were then actually held. (53 V., c. 31, s. 96.)

131. In the case of the insolvency of any bank, (*a*) the payment of the notes issued or re-issued by such bank, intended for circulation, and then in circulation, together with any interest paid or payable thereon as hereinbefore provided, shall be the first charge upon the assets of the bank; (*b*) the payment of any amount due to the government of Canada, intrust or otherwise, shall be the second charge upon such assets; (*c*) the payment of any amount due to the government of any of the provinces, in trust or otherwise, shall be the third charge upon such assets; and, (*d*) the amount of any penalties for which the bank is liable shall not form a charge upon the assets of the bank, until all other liabilities are paid. (53 V., c. 31, s. 53.)

OFFENCES AND PENALTIES.

The commencement of business.

132. Every director or provisional director of any bank and every other person, who, before the obtaining of the certificate from the treasury board, by this act required,

permitting the bank to issue notes or commence business, issues or authorizes the issue of any note of such bank, or transacts or authorizes the transaction of any business in connection with such bank, except such as is by this act authorized to be transacted before the obtaining of such certificate, is guilty of an offence against this act. (53 V., c. 31, s. 14.)

The sale and transfer of shares.

133. Any person, whether principal, broker or agent, who wilfully sells or transfers or attempts to sell or transfer (*a*) any share or shares of the capital stock of any bank by a false number; or, (*b*) any share or shares of which the person making such sale or transfer, or in whose name or on whose behalf the same is made, is not at the time of such sale, or attempted sale, the registered owner; or, (*c*) any share or shares, without the assent to such sale of the registered owner thereof; is guilty of an offence against this act. (53 V., c. 31, s. 37.)

The cash reserves.

134. Every bank which at any time holds less than forty per centum of its cash reserves in Dominion notes shall incur a penalty of five hundred dollars for each such offence. (53 V., c. 31, s. 50.)

The issue and circulation of notes.

135. If the total amount of the notes of the bank in circulation at any time exceeds the amount authorized by this act the bank shall, (*a*) if the amount of such excess is not over one thousand dollars, incur a penalty equal to the amount of such excess; or, (*b*) if the amount of such excess is over one thousand dollars, and not over twenty thousand dollars, incur a penalty of one thousand dollars; or, (*c*) if the amount of such excess is over twenty thou-

sand dollars, and not over one hundred thousand dollars, incur a penalty of ten thousand dollars; or, (*d*) if the amount of such excess is over one hundred thousand dollars, and not over two hundred thousand dollars, incur a penalty of fifty thousand dollars; or, (*e*) if the amount of such excess is over two hundred thousand dollars, incur a penalty of one hundred thousand dollars. (53 V., c. 31, s. 51.)

136. Every person, except a bank to which this act applies, who issues or reissues, makes, draws, or endorses any bill, bond, note, cheque or other instrument, intended to circulate as money, or to be used as a substitute for money, for any amount whatsoever, shall incur a penalty of four hundred dollars.

2. Such penalty shall be recoverable with costs, in any court of competent jurisdiction, by any person who sues for the same.

3. A moiety of such penalty shall belong to the person suing for the same, and the other moiety to His Majesty for the public uses of Canada.

4. If any such instrument is made for the payment of a less sum than twenty dollars, and is payable either in form or in fact to the bearer thereof, or at sight, or on demand, or at less than thirty days thereafter, or is overdue, or is in any way calculated or designed for circulation, or as a substitute for money, the intention to pass the same as money shall be presumed, unless such instrument is, (*a*) a cheque on some chartered bank paid by the maker directly to his immediate creditor; or, (*b*) a promissory note, bill of exchange, bond, or other undertaking for the payment of money made or delivered by the maker thereof to his immediate creditor, and, (*c*) not designed to circulate as money or as a substitute for money. (53 V., c. 31, s. 60.)

137. Every person who in any way defaces any Dominion or provincial note, or bank note, whether by writing,

printing, drawing, or stamping thereon, or by attaching or affixing thereto, anything in the nature or form of an advertisement, shall be liable to a penalty not exceeding twenty dollars. (53 V., c. 31, s. 61.)

138. (*a*) Every person who, being president, vice-president, director, general manager, manager, clerk, or other officer of the bank, issues or reissues, during any period of suspension of payment by the bank of its liabilities, any notes of the bank payable to bearer on demand, and intended for circulation, or authorizes or is concerned in any such issue or reissue; and (*b*) if, after any such suspension, the bank resumes business without the consent in writing of the curator, hereinbefore provided for, every person who being president, vice-president, director, general manager, manager, clerk, or other officer of the bank issues or reissues, or authorizes or is concerned in the issue or reissue of any such notes before being thereunto authorized by the treasury board; and (*c*) every person who accepts, receives, or takes, or authorizes or is concerned in, the acceptance, receipt, or taking of any such notes, knowing the same to have been so issued or reissued, from the bank, or from such president, vice-president, director, general manager, manager, clerk, or other officer of the bank, in payment or part payment, or as security for the payment of any amount due or owing to such person by the bank, is guilty of an indictable offence, and liable to imprisonment for a term not exceeding seven years, or to a fine not exceeding two thousand dollars, or to both. (63–64 V., c. 26, s. 10.)

139. (*a*) Every person who, being the president, vice-president, director, general manager, manager, cashier, or other officer of the bank, pledges, assigns, or hypothecates, or authorizes or is concerned in the pledge, assignment, or hypothecation of the notes of the bank; and (*b*) every person who accepts, receives or takes, or authorizes, or is concerned in the acceptance or receipt or taking of such notes

as a pledge, assignment, or hypothecation, shall be liable to a fine of not less than four hundred dollars and not more than two thousand dollars, or to imprisonment for not more than two years, or to both. (53 V., c. 31, s. 52.)

140. (*a*) Every person who, being the president, vice-president, director, general manager, manager, cashier, or other officer of a bank, with intent to defraud, issues or delivers, or authorizes or is concerned in the issue or delivery of notes of the bank intended for circulation and not then in circulation; and (*b*) every person who, with knowledge of such intent, accepts, receives, or takes, or authorizes, or is concerned in the acceptance, receipt, or taking of such notes, shall be guilty of an indictable offence and liable to imprisonment for a term not exceeding seven years, or to a fine not exceeding two thousand dollars, or to both. (53 V., c. 31, s. 52.)

Warehouse receipts, bills of lading, and other securities.

141. If any bank, to secure the payment of any bill, note, debt, or liability acquires or holds (*a*) any warehouse receipt or bill of lading; or (*b*) any instrument such as is by this act authorized to be taken by the bank to secure money lent (i) to any wholesale purchaser or shipper of or dealer in products of agriculture, the forest, quarry and mine, or the sea, lakes, and rivers, or to any wholesale purchaser or shipper of or dealer in live or dead stock, and the products thereof, upon the security of such products, or of such live or dead stock, or the products thereof; or (ii) to any person engaged in business as a wholesale manufacturer of any goods, wares, and merchandise, upon the security of the goods, wares, and merchandise manufactured by such person, or procured for such manufacture, such bank shall, unless (*a*) such bill, note, debt, or liability is negotiated or contracted at the time of the acquisition by the bank of such warehouse receipt, bill of lading, or security; or (*b*) such bill, note, debt, or liability is nego-

tiated or contracted upon the written promise or agreement that such warehouse receipt, bill of lading, or security would be given to the bank; or (*c*) the acquisition or holding by the bank of such warehouse receipt, bill of lading, or security is otherwise authorized by this act, incur a penalty not exceeding five hundred dollars. (53 V., c. 31, s. 79.)

142. If any debt or liability to the bank is secured by (*a*) any warehouse receipt or bill of lading; or (*b*) any other security such as is mentioned in the last preceding section, and is not paid at maturity, such bank shall, if it sells the goods, wares, and merchandise or products covered by such warehouse receipt, bill of lading, or security, under the power of sale conferred upon it by this act, without complying with the provisions to which the exercise of such power of sale is, by this act, made subject, incur a penalty not exceeding five hundred dollars. (53 V., c. 31, s. 79; 63–64 V., c. 26, s. 18.)

143. Every person is guilty of an indictable offence and liable to imprisonment for a term not exceeding two years who wilfully makes any false statement, (*a*) in any warehouse receipt or bill of lading given under the authority of this act to any bank; or (*b*) in any instrument given to any bank under the authority of this act, as security for any loan of money made by the bank to any wholesale purchaser or shipper of or dealer in products of agriculture, the forest, quarry, and mine, or the sea, lakes, and rivers, or to any wholesale purchaser, or shipper of or dealer in live or dead stock and the products thereof, whereby any such products or stock is assigned or transferred to the bank as security for the payment of such loan; or (*c*) in any instrument given to any bank under the authority of this act, as security for any loan of money made by the bank to any person engaged in business as a wholesale manufacturer of any goods, wares, and merchandise, whereby any of the goods, wares, and merchandise manufactured by him, or

procured for such manufacture, are transferred or assigned to the bank as security for the payment of such loan. (53 V., c. 31, s. 75.)

144. Every person who, having possession or control of any goods, wares, and merchandise covered by any warehouse receipt or bill of lading, or by any such security as in the last preceding section mentioned, and having knowledge of such receipt, bill of lading, or security, without the consent of the bank in writing, and before the advance, bill, note, debt, or liability thereby secured has been fully paid, (*a*) wilfully alienates or parts with any such goods, wares, or merchandise; or (*b*) wilfully withholds from the bank possession of any such goods, wares, and merchandise, upon demand, after default in payment of such advance, bill, note, debt, or liability, is guilty of an indictable offence and liable to imprisonment for a term not exceeding two years. (53 V., c. 31, s. 75; 63–64 V., c. 26, s. 18.)

145. (*a*) If any bank having, by virtue of the provisions of this act, a privileged lien for any debt or liability for any debt to the bank, on the shares of its own capital stock of the debtor or person liable, neglects to sell such shares within twelve months after such debt or liability has accrued and become payable; or (*b*) if any such bank sells any such shares without giving notice to the holder thereof of the intention of the bank to sell the same, by mailing such notice in the post-office, post paid, to the last known address of such holder, at least thirty days prior to such sale, such bank shall incur, for each such offence, a penalty not exceeding five hundred dollars. (53 V., c. 31, s. 79.)

Prohibited business.

146. If any bank, except as authorized by this act, either directly or indirectly, (*a*) deals in the buying or selling or bartering of goods, wares, and merchandise, or engages or is engaged in any trade or business whatsoever; or,

(*b*) purchases, deals in, or lends money or makes advances upon the security or pledge of any share of its own capital stock, or of the capital stock of any bank; or (*c*) lends money or makes advances upon the security, mortgage, or hypothecation of any lands, tenements, or immovable property, or of any ships or other vessels, or upon the security of any goods, wares, and merchandise, such bank shall incur a penalty not exceeding five hundred dollars. (53 V., c. 31, s. 79.)

Returns.

147. Every bank which neglects to make up and send to the minister, within the first fifteen days of any month, any monthly return by this act required to be made up and sent in within the said fifteen days, exhibiting the condition of the bank on the last juridical day of the month last preceding, and signed in the manner and by the persons by this act required, shall incur a penalty of fifty dollars for each and every day, after the expiration of such time, during which the bank neglects to make and send in such return. (53 V., c. 31, s. 85.)

148. Every bank which neglects to make and send to the minister, within thirty days from the date of the demand therefor by the minister, or, if such time is extended by the minister, within such extended time, not exceeding thirty days, as the minister may allow, any special return, signed in the manner and by the persons by this act required, which, under the provisions of this act, the minister may, for the purpose of affording a full and complete knowledge of the condition of the bank, call for, shall incur a penalty of five hundred dollars for each and every day during which such neglect continues. (53 V., c. 31, s. 86.)

149. Every bank which neglects to transmit or deliver to the minister, within twenty days after the close of any calendar year, a return, signed in the manner and by the persons and setting forth the particulars by this act re-

quired in that behalf, of all drafts or bills of exchange issued by the bank to any person and remaining unpaid for more than five years prior to the date of such return, shall incur a penalty of fifty dollars for each and every day during which such neglect continues. (63–64 V., c. 26, s. 21.)

150. Every bank which neglects to transmit or deliver to the minister, within twenty days after the close of any calendar year, a certified list, as by this act required, showing (*a*) the names of the shareholders of the bank on the last day of such calendar year, with their additions and residences; (*b*) the number of shares then held by such shareholders respectively; and, (*c*) the value at par of such shares, shall incur a penalty of fifty dollars for each and every day during which such neglect continues. (53 V., c. 31, s. 87.)

151. Every bank which neglects to transmit or deliver to the minister, within twenty days after the close of any calendar year, a return, signed in the manner and by the persons by this act required, of all dividends which have remained unpaid for more than five years, and also of all amounts or balances in respect of which no transactions have taken place, or upon which no interest has been paid, during the five years prior to the date of such return, and setting forth such further particulars as are by this act required in that behalf, shall incur a penalty of fifty dollars for each and every day during which such neglect continues.

2. The said term of five years shall, in case of moneys deposited for a fixed period, be reckoned from the date of the termination of such fixed period. (53 V., c. 31, s. 88.)

152. If any return or list, mentioned in either of the last five preceding sections, is transmitted by post, the date appearing, by the post-office stamp or mark upon the envelope or wrapper inclosing the return or list received

by the minister, as the date of deposit in the post-office of the place at which the chief office of the bank was situated, shall be taken prima facie, for the purpose of any of the said sections, to be the day upon which such return or list was transmitted to the minister. (53 V., c. 31, ss. 85 and 86; 63–64 V., c. 26, s. 22.)

153. The making of any wilfully false or deceptive statement in any account, statement, return, report, or other document respecting the affairs of the bank is an indictable offence punishable, unless a greater punishment is in any case by law prescribed therefor, by imprisonment for a term not exceeding five years.

2. Every president, vice-president, director, auditor, manager, cashier, or other officer of the bank, who (*a*) prepares, signs, approves, or concurs in any such account, statement, return, report, or document containing such false or deceptive statement; or, (*b*) uses the same with intent to deceive or mislead any person, shall be held to have wilfully made such false or deceptive statement, and shall further be responsible for all damages sustained by any person in consequence thereof. (53 V., c. 31, s. 99.)

Calls in the case of suspension of payment.

154. (*a*) If any suspension of payment in full, in specie or Dominion notes, of all or any of the notes or other liabilities of the bank continues for three months after the expiration of the time which, under the provisions of this act, would constitute the bank insolvent; and, (*b*) if no proceedings are taken under any act for the winding up of the bank; and, (*c*) if any director of the bank refuses to make or enforce, or to concur in the making or enforcing of any call on the shareholders of the bank, to any amount which the directors deem necessary to pay all the debts and liabilities of the bank, such director shall be guilty of an indictable offence, and liable (*a*) to imprisonment for

any term not exceeding two years; and, (*b*) personally for any damages suffered by any such default. (53 V., c. 31, s. 92.)

Undue preference to the bank's creditors.

155. Every person who, being the president, vice-president, director, manager, cashier, or other officer of the bank, wilfully gives or concurs in giving to any creditor of the bank any fraudulent, undue or unfair preference over other creditors, by giving security to such creditor, or by changing the nature of his claim, or otherwise howsoever, is guilty of an indictable offence, and liable (*a*) to imprisonment for a term not exceeding two years; and, (*b*) for all damages sustained by any person in consequence of such preference. (53 V., c. 31, s. 97.)

The using of the title "Bank," etc.

156. Every person assuming or using the title of "bank," "banking company," "banking house," "banking association," or "banking institution," without being authorized so to do by this act, or by some other act in force in that behalf, is guilty of an offence against this act. (53 V., c. 31, s. 100.)

Penalty for offence against this act.

157. Every person committing an offence, declared to be an offence against this act, shall be liable to a fine not exceeding one thousand dollars, or to imprisonment for a term not exceeding five years, or to both, in the discretion of the court before which the conviction is had. (53 V., c. 31, s. 101.)

PROCEDURE.

158. The amount of all penalties imposed upon a bank for any violation of this act shall be recoverable and enforceable, with costs, at the suit of His Majesty instituted by the attorney-general of Canada, or by the minister.

2. Such penalties shall belong to the Crown for the public uses of Canada: *Provided,* That the governor in council, on the report of the treasury board, may direct that any portion of any penalty be remitted, or paid to any person, or applied in any manner deemed best adapted to attain the objects of this act, and to secure the due administration thereof. (53 V., c. 31, s. 98.)

SCHEDULE A.

1. The Bank of Montreal.
2. The Bank of New Brunswick.
3. The Quebec Bank.
4. The Bank of Nova Scotia.
5. The St. Stephen's Bank.
6. The Bank of Toronto.
7. The Molsons Bank.
8. The Eastern Townships Bank.
9. The Union Bank of Halifax.
10. The Ontario Bank.
11. La Banque Nationale.
12. The Merchants Bank of Canada.
13. La Banque Provinciale du Canada.
14. The People's Bank of New Brunswick.
15. The Union Bank of Canada.
16. The Canadian Bank of Commerce.
17. The Royal Bank of Canada.
18. The Dominion Bank.
19. The Bank of Hamilton.
20. The Standard Bank of Canada.
21. La Banque de St. Jean.
22. La Banque d'Hochelaga.
23. La Banque de St. Hyacinthe.
24. The Bank of Ottawa.
25. The Imperial Bank of Canada.

26. The Western Bank of Canada.
27. The Traders' Bank of Canada.
28. The Sovereign Bank of Canada.
29. The Metropolitan Bank.
30. The Crown Bank of Canada.
31. The Home Bank of Canada.
32. The Northern Bank.
33. The Sterling Bank of Canada.
34. The United Empire Bank of Canada.

(63–64 V., c. 26, s. 4, and sch. A.)

SCHEDULE B.

AN ACT TO INCORPORATE THE ..... BANK.

Whereas the persons hereinafter named have, by their petition, prayed that an act be passed for the purpose of establishing a bank in ....., and it is expedient to grant the prayer of the said petition:

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

1. The persons hereinafter named, together with such others as become shareholders in the corporation by this act created, are hereby constituted a corporation by the name of ....., hereinafter called the bank.

2. The capital stock of the bank shall be ..... dollars.

3. The chief office of the bank shall be at .....

4. .... shall be the provisional directors of the bank.

5. This act shall, subject to the provisions of section sixteen of the bank act, remain in force until the first day of July, in the year one thousand nine hundred and eleven.

(53 V., c. 31, sch. B.; 63–64 V., c. 26, s. 45.)

SCHEDULE C.

In consideration of an advance of ..... dollars made by the ..... Bank to A. B., for which the said bank holds the following bills or notes: (*describe the bills or notes, if any*), [*or*, in consideration of the discounting of the following bills or notes by the ..... Bank for A. B.: (*describe the bills or notes*),] the goods, wares, and merchandise mentioned below are hereby assigned to the said bank as security for the payment on or before the ..... day of ..... of the said advance, together with interest thereon at the rate of .... per centum per annum from the ..... day of ..... (*or*, of the said bills or notes, or renewals thereof, or substitutions therefor, and interest thereon, *or as the case may be*).

This security is given under the provisions of section eighty-eight of the bank act, and is subject to the provisions of the said act.

The said goods, wares and merchandise, are now owned by ....., and are now in the possession of ...., and are free from any mortgage, lien, or charge thereon (*or as the case may be*), and are in (*place or places where the goods are*), and are the following (*description of goods assigned*).

Dated, etc.

(*N. B.—The bills or notes and the goods, etc., may be set out in schedules annexed.*)

(63–64 V., c. 26, s. 46 and sch. C.)

SCHEDULE D.

Return of the liabilities and assets of the ..... bank on the .... day of ....., A. D.

Capital authorized ..... $
Capital subscribed .....
Capital paid up .....
Amount of rest or reserve fund .....
Rate per cent of last dividend declared ..... per cent.

LIABILITIES.

1. Notes in circulation ..... $
2. Balance due to Dominion government, after deducting advances for credits, pay-lists, etc .....
3. Balances due to provincial governments .....
4. Deposits by the public, payable on demand, in Canada .....
5. Deposits by the public, payable after notice or on a fixed day, in Canada .....
6. Deposits elsewhere than in Canada .....
7. Loans from other banks in Canada, secured, including bills rediscounted .....
8. Deposits made by and balances due to other banks in Canada .
9. Balances due to agencies of the bank, or to other banks or agencies, in the United Kingdom .....
10. Balances due to agencies of the bank, or to other banks or agencies, elsewhere than in Canada and the United Kingdom .
11. Liabilities not included under foregoing heads .....

$

ASSETS.

1. Specie ..... $
2. Dominion notes .....
3. Deposits with Dominion government for security of note circulation .....
4. Notes of and cheques on other banks .....
5. Loans to other banks in Canada, secured, including bills rediscounted .....
6. Deposits made with and balances due from other banks in Canada
7. Balances due from agencies of the bank, or from other banks or agencies, in the United Kingdom .....
8. Balances due from agencies of the bank, or from other banks or agencies, elsewhere than in Canada and the United Kingdom .
9. Dominion government and provincial government securities ...
10. Canadian municipal securities, and British, or foreign, or colonial public securities, other than Canadian .....
11. Railway and other bonds, debentures, and stocks .....
12. Call and short loans on stocks and bonds in Canada .....
13. Call and short loans elsewhere than in Canada .....
14. Current loans in Canada .....
15. Current loans elsewhere than in Canada .....
16. Loans to the government of Canada .....
17. Loans to provincial governments .....
18. Overdue debts .....
19. Real estate other than bank premises .....

20. Mortgages on real estate sold by the bank.....
21. Bank premises.....
22. Other assets not included under the foregoing heads.....

$

Aggregate amount of loans to directors, and firms of which they are partners, $.....

Average amount of specie held during the month, $.....

Average amount of Dominion notes held during the month, $.....

Greatest amount of notes in circulation at any time during the month, $.....

I declare that the above return has been prepared under my directions and is correct according to the books of the bank.

E. F., *Chief Accountant.*

We declare that the foregoing return is made up from the books of the bank, and that to the best of our knowledge and belief it is correct, and shows truly and clearly the financial position of the bank; and we further declare that the bank has never, at any time during the period to which the said return relates, held less than forty per centum of its cash reserves in Dominion notes.

(*Place*).....this.....day of.....

A. B., *President.*

C. D., *General Manager.*

(63-64 V., c. 26, s. 47 and sch. D.)

APPENDIX III.

AMENDING LEGISLATION OF 1908.

An act to amend the bank act.

(7-8 Edw. VII, chap. 7.)

[*Assented to 20th July, 1908.*]

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

1. Section 61 of the bank act, chapter 29 of the Revised Statutes, 1906, is repealed, and the following is substituted therefor:

"61. The bank may issue and re-issue its notes payable to bearer on demand and intended for circulation: *Provided*, That (*a*) the bank shall not, during any period of suspension of payment of its liabilities, issue or re-issue any of its notes; and (*b*), if, after any such suspension, the bank resumes business without the consent in writing of the curator, hereinafter provided for, it shall not issue or re-issue any of its notes until authorized by the treasury board so to do.

"2. No such note shall be for a sum less than five dollars or for any sum which is not a multiple of five dollars.

"3. The total amount of such notes in circulation at any time shall not exceed the amount of the unimpaired paid-up capital of the bank: *Provided*, That during the usual season of moving the crops—that is to say, from and including the first day of October in any year to and including the thirty-first day of January next ensuing—in addition to the said amount of notes hereinbefore authorized to be issued for circulation, the bank may issue its notes, to an

amount not exceeding fifteen per centum of the combined unimpaired paid-up capital and reserve or rest fund of the bank as stated in the statutory monthly return made by the bank to the minister for the month immediately preceding that in which the additional amount is issued.

"4. Whenever, under the authority of the proviso to the next preceding subsection of this section, the issue of an additional amount of notes of the bank has been made, the general manager, or other chief executive officer of the bank for the time being, shall forthwith give notice thereof by registered letter addressed to the minister and to the president of the Canadian Bankers' Association.

"5. While its notes in circulation are in excess of the amount of its unimpaired paid-up capital, the bank shall pay interest to the minister at such rate, not exceeding five per centum per annum, as is fixed by the governor in council, on the amount of its notes in circulation in excess from day to day; and the interest so paid shall form part of the consolidated revenue fund of Canada.

"6. A return shall be made and sent by the bank to the minister showing the amount of its notes in circulation for each juridical day during any month in which any amount of notes in excess as aforesaid has been issued or is outstanding.

"7. Such return shall be made up and sent within the first fifteen days of the month next after that in which any such amount in excess has been issued or is outstanding, and shall be accompanied by declarations in the form prescribed in Schedule D to this act, and shall be signed by the persons required to sign the monthly returns made under section 112 of this act.

"8. The provisions of section 153 of this act shall apply to the return mentioned in the next preceding subsection.

"9. Notwithstanding anything in this section hereinbefore contained, the total amount of such notes of the Bank of British North America in circulation at any time shall

not exceed seventy-five per centum of the unimpaired paid-up capital of the bank: *Provided*, That—

"(*a*) The bank may issue its notes in excess of the said seventy-five per centum upon depositing with the minister, in respect of the excess, in cash or bonds of the Dominion of Canada, an amount equal to the excess; and the cash or bonds so deposited shall, in the event of the suspension of the bank, be available by the minister for the redemption of the notes issued in excess as aforesaid; and

"(*b*) The total amount of such notes of the bank in circulation at any time shall not, except as in paragraph (*c*) of this subsection authorized, exceed its unimpaired paid-up capital;

"(*c*) The bank may, during the said season of moving of crops, in addition to the circulation of its notes hereinbefore in this subsection authorized, issue its notes to an amount not exceeding ten per centum of the combined unimpaired paid-up capital and reserve or rest fund of the bank as stated in the statutory return made by the bank for the month immediately preceding that in which the said additional amount is issued; and the said additional amount shall be otherwise subject to all the provisions of this section respecting circulation in addition to or in excess of the unimpaired paid-up capital permitted to other banks.

"10. All notes issued or re-issued by any bank, and now in circulation, which are for a sum less than five dollars, or for a sum which is not a multiple of five dollars, shall be called in and cancelled as soon as practicable."

2. The following section is hereby inserted immediately after section 147 of the said act:

"147a. Every bank which neglects to make and send to the minister within the first fifteen days of the month next thereafter a return showing the amount of its notes in circulation for each juridical day during any month in the usual season of moving the crops—that is to say, from and

including the first day of October in any year to and including the thirty-first day of January next ensuing—in which any amount of its notes in excess of the amount of the unimpaired paid-up capital of the bank has been issued or is outstanding, and signed in the manner and by the persons by this act required, shall incur a penalty of fifty dollars for each and every day, after the expiration of such time, during which the bank neglects to make and send in such return."

Appendix VII.

BY-LAWS OF THE CANADIAN BANKERS' ASSOCIATION.

[A corporation created by special act of the Parliament of Canada, 63 and 64 Vict., C. 93 (1900).]

The following by-laws are hereby enacted as by-laws of the Canadian Bankers' Association:

1. The annual general meetings of the association shall be held on the second Thursday of the month of November in each year, at such hour and place as may be decided upon by the executive council of the association from time to time. Special general meetings of the association may be called at any time by the said executive council, and shall be called by the president or secretary-treasurer on the written requisition of at least 5 members of the association.

The requisition (if any) for and the notice calling any special general meeting shall specify therein the general nature of the business to be considered or transacted thereat. Special general meetings shall be held at such time, hour, and place as shall be mentioned in the notice calling the same. Thirty days' notice shall be given of every general meeting of the association, whether annual or special. At any annual or special general meeting of the association 7 persons, duly representing members of the association, shall form a quorum.

At any annual general meeting of the association any business may be transacted thereat.

At any special general meeting of the association only such business shall be transacted as is mentioned in the notice calling such special general meeting.

2. At every annual general meeting the members of the association, through their representatives or proxies, shall elect from among the chief executive officers (as defined by charter of incorporation) of members of the association, a president, 4 vice-presidents, and 14 councilors, all of whom shall hold office until the next annual general meeting, or until their successors are appointed, and may also elect honorary presidents of the association, not exceeding 3 in number, who shall also hold office until the next annual general meeting after their election.

3. The executive council of the association shall consist of the president and vice-presidents, and the said 14 councilors aforesaid, and 5 shall form a quorum for the transaction of business.

The honorary presidents shall also have seats at the executive council, but shall have no vote thereat.

4. At all meetings of the association each member shall have one vote upon each matter submitted for vote. The chairman shall, in addition to any vote he may have as chief executive officer or proxy, have a casting vote in case of a tie.

Each associate shall also have one vote on all subjects except the following, on which members only shall be permitted to vote: 1, election of officers; 2, action relating to proposed legislation; 3, by-laws; 4, adding to or amending the charter; 5, all other subjects on which general action by the banks is contemplated.

5. The executive council may meet together for the dispatch of business, adjourn and otherwise regulate its meetings as it by resolution or otherwise may determine from time to time.

The secretary-treasurer shall at any time at the request of the president or any vice-president or any other member

of the executive council convene a meeting of the council: *Provided, however,* That no business shall be transacted at a meeting called at the request of a member unless the notice calling the meeting specifies in some general terms that such business will be transacted thereat, but this provision shall not apply to any meeting called at the request of the president or any vice-president.

On all questions arising at any meeting of the executive council each member shall have one vote in addition to any vote he may have as proxy, and the chairman shall have in addition a casting vote.

6. At all meetings of the association and of the executive council the president, when present, shall be chairman, and in his absence one of the vice-presidents chosen by the members of the council then present; and in the absence of the president and vice-presidents the members of the council then present may choose some one of their number to be chairman of such meeting.

7. Any member not represented at a meeting of the association by one of the officers named in section 8 of the charter of incorporation may vote by proxy, provided such proxy is held by an associate who is an assistant general manager, or assistant cashier, inspector or manager of any bank, or any branch thereof.

Any member of the executive council, when not present at any meeting thereof, may be represented thereat by proxy, provided such proxy is held by such an associate as is before mentioned in this by-law. Proxies shall be in writing.

8. The executive council may from time to time repeal, amend, or add to any of the by-laws of the association, except those relating to dues, to the clearing house, to the curator and his duties, and to the circulation; but every such repeal, amendment, or addition shall only have force until the next annual general meeting of the association,

and if not confirmed thereat shall thereupon cease to have force.

9. The said executive council shall have power from time to time to appoint a secretary-treasurer, who shall be an officer or ex-officer of a bank, and to remove him from office, and to fix his remuneration and the terms of his engagement.

The executive council shall also have power from time to time to appoint a solicitor or solicitors and to fix their remuneration for either general or special services, and also to engage counsel where such services may be needed.

10. Existing subsections of the voluntary association are hereby continued as, and constituted, subsections of the association as incorporated. Subsections hereby or hereinafter constituted may pass by-laws for their guidance, subject always to the provisions of the charter of incorporation and the by-laws of the association.

The bankers' section of the boards of trade in the cities of Montreal and Toronto, respectively, shall be empowered respectively to represent the association in all matters connected with legislation in the legislatures of Quebec and Ontario, respectively—it being understood that the respective sections will, as fully as possible, keep the president and the executive council of the association advised on all points that may arise in connection with the matters referred to, and will not make representations in the name of the association contrary to the views of the executive council after such views have been expressed.

11. An editing committee appointed by the association shall supervise the publication of the "Journal of the Canadian Bankers' Association," and the executive council shall appoint such other officers as it may deem necessary; and shall also make such provisions and arrangements from time to time as it deems proper for lectures, discussions, competitive papers, and examinations.

12. The dues or subscriptions payable to the association by the members thereof shall be as follows:

For banks with a paid-up capital stock of under $1,000,000	$100
For banks with a paid-up capital stock of $1,000,000 and under $2,000,000	200
For banks with a paid-up capital stock of $2,000,000 and under $3,000,000	300
For banks with a paid-up capital stock of $3,000,000 and over	400

The dues or subscriptions payable to the association by the associates thereof shall be $1 annually. Members and associates' subscriptions shall be payable on or before the 1st February and 1st July, respectively, in each year.

CIRCULATION.

13. (*a*) A monthly return shall be made to the president of the Canadian Bankers' Association by all banks doing business in Canada, whether members of the Canadian Bankers' Association or not, in the form hereinafter set forth; said return shall be made up and sent in within the first fifteen days of each month, and shall exhibit the condition of the bank's note circulation on the last juridical day of the month next preceding; and every such monthly return shall be signed by the chief accountant or acting chief accountant and by the president or vice-president, or by any director of the bank, and by the general manager, cashier, or other chief executive officer of the bank at its chief place of business. Every such monthly return which shows therein notes destroyed during such month shall be accompanied by a certificate or certificates in the form hereinafter set forth, covering all the notes mentioned as destroyed in such return, signed by at least three of the directors of the bank, and by the chief executive officer or some officer of the bank acting for him, stating that the notes mentioned in such certificate or certificates have been destroyed in the presence of and under the supervision of the persons respectively signing such certificate or certificates, respectively.

FORM OF MONTHLY RETURN OF CIRCULATION ABOVE MENTIONED.

CIRCULATION STATEMENT OF THE (*here state name of bank*) *for the month of*_____, 190__

Credit balance of bank-note accounts on last day of preceding month (inclusive of unsigned notes) _____ $

Add notes received from printers during month, viz:

From_____ $

From_____ $

Less notes destroyed during month (as per certificate herewith) ___

Balance of bank-note accounts on last day of month _____

Less notes on hand, viz:

Signed_____ $

Unsigned_____ $

Notes in circulation on last day of month _____

_____

Chief Accountant.

We declare that the foregoing return, to the best of our knowledge and belief, is correct, and shows truly and clearly the state and position of the note circulation of said bank during and on the last day of the period covered by such return.

_____ this _____ day of _____, 19__

_____

President.

_____

General Manager.

FORM OF CERTIFICATE OF DESTRUCTION OF NOTES ABOVE MENTIONED.

Certificate of destruction of notes of the (*here mention name of bank*) *accompanying monthly circulation statement for month of*_____A. D. 190__

We, the undersigned, hereby certify that we have examined bank notes of this bank amounting to $_____ consisting of the following, viz: (here set out the denominations) and have burned and destroyed the same, and that the said notes so burned and destroyed by us are not included in any other certificate of destruction of notes signed by us or any of us, or to the

best of our knowledge and belief by any other person, to accompany the present or any monthly circulation statement made or to be made to the president of the Canadian Bankers' Association.

---------- this ------ day of ------ 19--

Directors of Said Bank.

General Manager.

(*b*) For all purposes of this by-law, the chief place of business of the Bank of British North America shall be the chief office of the said bank at the city of Montreal, in the Province of Quebec.

And in the case of the said Bank of British North America the said monthly circulation return shall be signed by the general manager's clerk, or acting general manager's clerk, and by the general manager or the acting general manager of the said bank; and the said certificate of destruction of notes shall be signed by the general manager or acting general manager, the inspector or assistant inspector, and the local manager of the Montreal branch, or the acting local manager of the Montreal branch of the said bank, instead of by the persons respectively hereinbefore directed to sign the said returns respectively.

(*c*) Every bank which neglects to make up and send in as aforesaid any monthly return required by this by-law within the time by this by-law limited, shall incur a penalty of $50 for each and every day after the expiration of such time during which the bank neglects so to make up and send in such return.

(*d*) The executive council of the association shall have power, by resolution, at any time, to direct that an inspection shall be made of the circulation accounts of any bank by an officer or officers to be named in such resolution, and such inspection shall be made accordingly.

(*e*) Some person or persons appointed from time to time by the executive council of the association shall during the year 1901 and during every year thereafter make inspection of the circulation accounts of every bank doing business in Canada, whether members of the association or not, and shall report thereon to the council, and shall thereafter inspect the circulation accounts of each bank during each year; and upon every such inspection all and every the officers of the bank whose circulation account is so inspected shall give and afford to the officer or officers making the inspection all such information and assistance as he or they may require to enable him or them fully to inspect said circulation account, and to report to the council upon the same and upon the means adopted for the destruction of notes.

(*f*) The amount of all penalties imposed upon a bank for any violation of this by-law shall be recoverable and enforceable with costs, at the suit of the Canadian Bankers' Association, and such penalties shall belong to the Canadian Bankers' Association for the uses of the association.

(*g*) The president of the Canadian Bankers' Association shall each month have printed and forwarded to the chief executive officer of every bank of Canada subject to the bank act, whether a member of the association or not, a statement of the circulation returns of all the banks in Canada for the last preceding month, as received by him.

(*h*) In this by-law it is declared for greater certainty that the Canadian Bankers' Association herein mentioned and referred to is the association incorporated by special act of Parliament of Canada, 63 and 64 Vict., C. 93.

CURATOR.

14. Whenever any bank suspends payment, a curator, as mentioned in section 24 of the bank act amendment act, 1900, shall be appointed to supervise the affairs of such

bank. Such appointment shall be made in writing by the president of the association or by the person who, during a vacancy in the office of, or in the absence of, the president, may be acting as president of the association.

If a curator so appointed dies or resigns another curator may be appointed in his stead in the manner aforesaid.

The executive council may, by resolution, at any time remove a curator from office and appoint another person curator in his stead.

A curator so appointed shall have all the powers and subject to the provisions of by-law No. 15, shall perform all the duties imposed upon the curator by the said bank act amendment act; he shall also furnish all such returns and reports, and give all such information touching the affairs of the suspended bank as the president of the association or the executive council may require of him from time to time.

The remuneration of the curator for his services and his expenses and disbursements in connection with the discharge of his duties shall be fixed and determined from time to time by the executive council.

15. Whenever a bank suspends payment and a curator is accordingly appointed, the president shall also appoint a local advisory board consisting of three members, selected generally as far as possible from among the general managers, assistant general managers, cashiers, inspectors, or chief accountants, or branch managers of any bank at the place where the head office of such suspended bank is situated, and the curator shall advise from time to time with such advisory board, and it shall be his duty, before taking any important step in connection with his duties as curator, to obtain the approval of such advisory board thereto. With the sanction of such advisory board, he may employ such assistants as he may require for the full performance of his duties as curator.

16. The rules and regulations contained in this by-law are made in pursuance of the powers contained in the act to incorporate the Canadian Bankers' Association (63 and 64 Vict., C. 93, 1900), and shall be adopted by and shall be the rules and regulations governing all clearing houses now existing and established or that may be hereafter established.

Rules and regulations respecting clearing houses made in pursuance of the powers contained in the act to incorporate the Canadian Bankers' Association.

1. The chartered banks doing business in any city or town, or such of them as may desire to do so, may form themselves into a clearing house. Chartered banks thereafter establishing offices in such city or town may be admitted to the clearing house by a vote of the members.

2. The clearing house is established for the purpose of facilitating daily exchanges and settlements between banks. It shall not either directly or indirectly be used as a means of obtaining payment of any item, charge, or claim disputed or objected to. It is expressly agreed that any bank receiving exchanges through the clearing house shall have the same rights to return any item and to refuse to credit any sum which it would have had were the exchanges made directly between the banks concerned instead of through the clearing house; and nothing in these or any future rules, and nothing done, or omitted to be done thereunder, and no failure to comply therewith shall deprive a bank of any rights it might have possessed had such rules not been made, to return any item or refuse to credit any sum; and payment through the clearing house of any item, charge, or claim shall not deprive a bank of any right to recover back the amount so paid.

3. The annual meeting of the members shall be held on such day in each year and at such time and place as the members may fix by by-law. Special meetings may be called by the chairman or vice-chairman whenever it may be deemed necessary, and the chairman shall call a special meeting whenever requested to do so in writing by three or more members.

4. At any meeting each member may be represented by one or more of its officers, but each bank shall have one vote only.

5. At every annual meeting there shall be elected by ballot a board of management, who shall hold office until the next annual meeting, and thereafter until their successors are appointed. They shall have the general oversight and management of the clearing house. They shall also deal with the expenses of the clearing house and the assessments made therefor. In the absence of any member of the board of management he may be represented by another officer of the bank of which he is an officer.

6. The board of management shall, at their first meeting after their appointment, elect, out of their own number, a chairman, a vice-chairman, and a secretary-treasurer, who shall perform the duties customarily appertaining to these offices.

The officers so selected shall be, respectively, the chairman, vice-chairman, and secretary-treasurer of the clearing house.

Should the bank of which the chairman is an officer be interested in any matter his powers and duties shall, with respect to such matter, be exercised by the vice-chairman, who shall also exercise the chairman's duties and powers in his absence.

7. Meetings of the board may be held at such times as the members of the same may determine. A special meeting shall be called by the secretary-treasurer on the written requisition of any member of the clearing house for the

consideration of any matter submitted by it, of which meeting twenty-four hours' notice shall be given, but if such meeting is for action under rules 15 or 16 it shall be called immediately.

8. The expenses of the clearing house shall be met by an equal assessment upon the members, to be made by the board of management.

9. Any bank may withdraw from the clearing house by giving notice, in writing, to the chairman or secretary-treasurer between the hours of 1 and 3 o'clock p. m. and paying its due proportion of expenses and obligations then due. Said retirement to take effect from the close of business of the day on which such notice is given. The other banks shall be promptly notified of such withdrawal.

10. The board of management shall arrange with a bank to act as clearing bank for the receipt and disbursement of balances due by and to the various banks, but such bank shall be responsible only for the moneys and funds actually received by it from the debtor banks, and for the distribution of the same amongst the creditor banks, on the presentation of the clearing-house certificates properly discharged. The clearing bank shall give receipts for balances received from the debtor banks. The board of management shall also arrange for an officer to act as manager of the clearing house from time to time, but not necessarily the same officer each day.

11. The hours for making the exchanges at the clearing house, for payment of the debit balances to the clearing bank, and for payment out of the balances due the creditor banks, shall be fixed by by-law under clause 17. On completion of the exchanges, the balances due to or by each bank shall be settled and declared by the clearing-house manager, and if the clearing statements are readjusted under the provisions of these rules, the balances must then be similarly declared settled, and the balances due by debtor banks must be paid into the clearing bank

at or during the hours fixed by by-law as aforesaid, provided that no credit balance, or portion thereof, shall be paid until all debit balances have been received by the clearing bank. At clearing houses where balances are payable in money they shall be paid in legal tender notes of large denominations.

At clearing houses where balances are payable by draft, should any settlement draft given to the clearing bank not be paid on presentation, the clearing bank shall at once notify, in writing, all the other banks of such default; and the amount of the unpaid drafts shall be repaid to the clearing bank by the banks whose clearances were against the defaulting bank on the day the unpaid draft was drawn, in proportion to such balances. The clearing bank shall collect the unpaid draft, and pay the same to the other banks in the above proportion. It is understood that the clearing bank is to be the agent of the associated banks, and to be liable only for moneys actually received by it.

Should any bank make default in paying to the clearing bank its debit balance, within the time fixed by this rule, such debit balance and interest thereon shall then be paid by the bank so in default to the chairman of the clearing house for the time being, and such chairman and his successor in office from time to time shall be a creditor of and entitled to recover the said debit balance, and interest thereon, from the defaulting bank. Such balances, when received by the said chairman or his successor in office, shall be paid by him to the clearing bank for the benefit of the banks entitled thereto.

12. In order that the clearing statements may not be unnecessarily interfered with, it is agreed that a bank objecting to any item delivered to it through the clearing house, or to any charge against it in the exchanges of the day, shall, before notifying the clearing-house manager of the objection, apply to the bank interested for payment

of the amount of the item or charge objected to, and such amount shall thereupon be immediately paid to the objecting bank. Should such payment not be made the objecting bank may notify the clearing-house manager of such objection and nonpayment, and he shall thereupon deduct the said amount from the settling sheets of the banks concerned, and readjust the clearing statements and declare the correct balances in conformity with the changes so made, provided that such notice shall be given at least half an hour before the earliest hour fixed by by-law, as provided in clause 11, for payment of the balances due to the creditor banks. But notwithstanding that the objecting bank may not have so notified the clearing-house manager, it shall be the duty under these rules of the bank interested to make such payment on demand therefor being made at any time up to 3 o'clock: *Provided, however*, That if the objection is based on the absence from the deposit of any parcel or of any check or other item entered on the deposit slip, notice of such absence shall have been given to the bank interested before 12 o'clock noon, the whole, however, subject to the provisions of rule No. 2.

13. All bank notes, checks, drafts, bills, and other items (hereafter referred to as "items") delivered through the clearing house to a bank in the exchanges of the day, shall be received by such bank as a trustee only, and not as its own property, to be held upon the following trust, namely, upon payment by such bank at the proper hour to the clearing bank of the balance (if any) against it, to retain such items freed from said trust; and in default of payment of such balance, to return immediately and before 12.30 p. m., the said items unmarked and unmutilated through the clearing house to the respective banks, and the fact that any item can not be so returned shall not relieve the bank from the obligation to return the re-

maining items, including the amount of the bank's own notes so delivered in trust.

Upon such default and return of said items each of the other banks shall immediately return all items which may have been received from the bank so in default, or pay the amount thereof to the defaulting bank through the clearing house. The items returned by the bank in default shall remain the property of the respective banks from which they were received, and the clearing-house manager shall adjust the settlement of balances anew.

A bank receiving through the clearing house such items as aforesaid shall be responsible for the proper carrying out of the trust upon which the same are received as aforesaid, and shall make good to the other banks, respectively, all loss and damage which may be suffered by the default in carrying out such trust.

14. In the event of any bank receiving exchanges through the clearing house making default in payment of its debit balance (if any) then, in lieu of its returning the items received by it as provided by rule 13, the board of management may require the banks to which the defaulting bank, or an account being taken of the exchanges of the day between it and the other banks, would be a debtor, in proportion to the amounts which, on such accounting, would be respectively due to them, to furnish the chairman of the clearing house, for the time being, with the amount of the balance due by the defaulting bank, and such amount shall be furnished accordingly, and shall be paid by the chairman to the clearing bank, which shall then pay over to the creditor banks the balances due to them in accordance with rule 11. The said funds for the chairman shall be furnished by being deposited in the clearing bank for the purpose aforesaid. The defaulting bank shall repay to the chairman for the time being, or to his successor in office, the amount of such debit balance

and interest thereon, and the said chairman, and his successor in office, shall be entitled to recover the same from the defaulting bank. Any moneys so recovered shall be held in trust for and deposited in the clearing bank for the benefit of the banks entitled thereto.

15. If a bank neglects or refuses to pay its debit balance to the clearing bank, and if such default be made not because of inability to pay, the board of management may direct that the exchanges for the day between the defaulting bank and each of the other banks be eliminated from the clearing-house statements and that the settlements upon such exchanges be made directly between the banks interested, and not through the clearing house. Upon such direction being given, the clearing-house manager shall comply therewith and adjust the settlement of balances anew, and the settlements of the exchanges so eliminated shall thereupon be made directly between the banks interested.

16. Should any case arise to which, in the opinion of the board of management, the foregoing rules are inapplicable, or in which their operation would be inequitable, the board shall have power at any time to suspend the clearings and settlements of the day; but immediately upon such suspension the board shall call a meeting of the members of the clearing house to take such measures as may be necessary.

17. Every clearing house now existing or that may hereafter be established may enact by-laws, rules, and regulations for the government of its members not inconsistent with these rules, and may fix therein, among other things:

1. The name of the clearing house.

2. The number of members of the board of management and the quorum thereof.

3. The date, time, and place for the annual meeting.

4. The mode of providing for the expenses of the clearing house.

5. The hours for making exchanges and for payment of the balances to or by the clearing bank.

6. The mode or medium in which balances are to be paid.

Any by-law, rule, or regulation passed or adopted under this clause may be amended at any meeting of the members, provided that not less than two weeks' notice of such meeting and of the proposed amendments has been given.

NOTICES.

17. Any notice of meeting, or any other notice authorized or required to be given to any member of the association, shall be deemed sufficiently given if sent through the post-office in a prepaid letter or by hand to the head office of any such member, addressed to such member or to the general manager or cashier of such member, and in the case of the Bank of British North America, through its chief office in the city of Montreal, addressed to it or to its general manager; and any notice sent by post shall be deemed to have been given on the day following that on which the same was mailed, and in proving the giving of such notice it shall be sufficient to prove that the letter was properly prepaid, addressed, and mailed.

Any notice authorized or required to be given to any member of the executive council may be sent by the secretary-treasurer by hand, or through the post-office, or by telegraph, or in any other manner which the said council may prescribe.

Any notice authorized or required to be given to any associate as such shall be sufficiently given if given by advertisement once in a newspaper in the cities of Montreal and Toronto.

18. In the foregoing by-laws, unless there be something in the subject or context inconsistent therewith, the words:

"The association" shall mean "The Canadian Bankers' Association," incorporated by special act of the Parliament of Canada (63 and 64 Vict., C. 93).

"The executive council," or "The council," shall mean "The executive council of the Canadian Bankers' Association."

E CLEARING HOUSES OF DIVERS CANADIAN CITIES, 1890–1908.

[$000.00 omitted.]

897.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	
01, 185	$731, 264	$794, 109	$734, 941	$889, 486	$1, 089, 976	$1, 113, 984	$1, 065, 067	$1, 324, 313	$1, 533, 597	$1, 555, 712	$1, 467, 316	1
61, 756	439, 489	504, 569	513, 697	599, 385	809, 078	808, 908	842, 097	1, 047, 490	1, 219, 125	1, 220, 905	1, 166, 902	2
33, 350	35, 637	40, 298	40, 262	42, 554	45, 970	53, 710	59, 003	68, 385	78, 480	88, 104	72, 329	3
63, 736	62, 523	70, 600	77, 594	87, 148	88, 532	93, 349	90, 115	89, 251	91, 837	93, 587	90, 222	4
84, 435	90, 754	107, 786	106, 956	134, 199	188, 370	246, 108	294, 601	369, 868	504, 585	599, 667	614, 111	5
30, 468	30, 349	32, 628	37, 907	40, 941	42, 465	49, 013	51, 875	52, 836	60, 042	66, 150	66, 435	6
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-------	----------	42, 179	46, 161	46, 738	54, 223	66, 100	74, 029	88, 460	132, 606	191, 734	183, 083	8
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											56, 875	

Appendix IX.

OF BRANCHES OF CANADIAN BANKS ON DECEMBER 31, 1889–1908.

	1892.	1893.	1894.	1895.	1896.	1897.	1898.	1899.	1900.	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1908.	
	254	263	272	275	272	269	285	321	336	349	420	491	549	701	845	929	918	1
	94	102	103	115	112	114	128	113	123	137	147	183	196	246	270	297	311	2
	30	29	31	31	31	31	31	34	34	35	41	47	49	50	54	55	58	3
	53	58	62	62	64	69	70	74	85	89	101	99	101	100	106	104	104	4
	6	6	6	6	7	8	8	9	10	9	7	11	10	11	14	14	16	5
	10	12	12	13	16	24	36	41	48	46	52	50	55	66	78	90	103	6
	24	24	19	20	22	29	46	50	50	52	79	87	95	127	166	163	162	7
	8	8	8	8	9	11	16	19	19	30	54	78	87	150	209	231	252	8
							2	2	3	3	3	3	3	3	3	3	3	9
	479	502	513	530	533	555	622	663	708	750	904	1,049	1,145	1,454	1,745	1,886	1,927	10