

## BANKS AND BANKING.

The monetary laws in the various parts of the Dominion are not as yet identical. The subject of Banking being, however, under the control of the General Government, there is reason to believe they will soon be assimilated.

In Ontario and Quebec it has been the custom of the Legislature to grant charters of incorporation\* to any persons of good standing who apply, giving them special privileges, among others that of issuing Bank Notes of any denomination as a circulating medium. These are not a legal tender, but they are redeemable in gold on demand at the place of issue, and the character of the Banks is such that they have always been held in equal estimation with gold; the shareholders being moreover responsible to the holders of Notes to twice the amount of their shares. The Banque du Peuple is the only exception. Its shareholders' liability is limited to the amount of their shares. Each Bank also accepts the Notes of all the others, at par. The Banks are all obliged to hold *ten per cent.* of their Paid-up Capital in Government Securities. They make monthly returns to Government of their Assets and Liabilities, and pay duty half-yearly at the rate of *one per cent.* per annum on the amount by which their average circulation exceeds the combined average of Specie and Government Securities. There is no tax upon Stocks, but Bill Stamps have to be imposed on Bills of Exchange, Drafts and Promissory Notes.

In New Brunswick, charters have been granted as in the Provinces formerly called Canada; the Government, however, imposes no tax upon Circulation or Stocks. The Banks are called upon to make returns of their Assets and Liabilities to the Lieut. Governor.

In Nova Scotia the general system is similar, save that the Banks are debarred by Statute from issuing Notes of less denomination than five pounds. They make returns to Government, rather irregularly, of their Paid-up Capital, Circulation, &c.

At the last session of the Parliament of the former Province of Canada (Ontario and Quebec) an Act was passed "To provide for the issue of Provincial Notes"; under which the Government has made arrangements with the Bank of Montreal to surrender its circulation and issue instead the Notes of the Government, which are legal tender every where, so long as they are redeemable in specie on demand at the offices of issue, which are established in Montreal and Toronto, and will probably be soon opened in Halifax and St. John.

In Ontario and Quebec, the Banks are allowed to charge 7 per cent discount, deducted in advance, for accommodation. They also usually charge  $\frac{1}{2}$  per cent more on each separate transaction, under the name of commission or collecting the Note, which are made payable elsewhere. There is also a small deduction for Bill Stamps.

In New Brunswick and Nova Scotia the Banks are only allowed to charge interest at the rate of 6 per cent.

In practice, however, these restrictions are of small importance, for the Banks necessarily give accommodation in proportion to the value of their customers' accounts—the sums they keep on deposit, &c., and the competition between them, not the arbitrary legal rate of interest, is the best guarantee against their making usurious charges.

The position of the majority of the Banks throughout the Dominion is very sound, their Stocks, with some few exceptions, standing at or above par. They pay dividends of from 7 to 10 per cent.

The *Year Book* for 1867 contains, at page 29, a table showing the amount of the Paid-up Capital, Notes in Circulation, Deposits, Specie held and Notes Discounted by the Banks of Canada (Ontario and Quebec) from January, 1861, to June 30th, 1866. We continue that table from June, 1866, to June, 1867:—

|               | Paid-up Capital. | Circulation. | Deposits.             |                   | Specie and Provincial Notes.† | Discounts. |
|---------------|------------------|--------------|-----------------------|-------------------|-------------------------------|------------|
|               |                  |              | Not bearing Interest. | Bearing Interest. |                               |            |
| 1866.         | \$               | \$           | \$                    | \$                | \$                            | \$         |
| July 31.....  | 29,988,122       | 10,558,523   | 13,523,651            | 14,394,284        | 5,773,885                     | 45,647,254 |
| Aug. 31.....  | 30,064,943       | 10,102,223   | 12,879,110            | 13,963,622        | 5,479,545                     | 45,832,977 |
| Sept. 30..... | 30,096,803       | 10,658,791   | 12,737,645            | 13,176,208        | 5,429,711                     | 46,012,647 |
| Oct. 31.....  | 28,228,634       | 10,954,837   | 12,865,490            | 11,473,965        | 5,998,201                     | 44,448,383 |
| Nov. 30.....  | 28,373,037       | 10,851,103   | 13,633,265            | 12,016,962        | 8,005,015                     | 43,699,673 |
| Dec. 31.....  | 28,433,349       | 9,867,486    | 14,325,890            | 12,370,069        | 8,505,052                     | 42,912,732 |
| 1867.         |                  |              |                       |                   |                               |            |
| Jan. 31.....  | 28,595,426       | 10,026,478   | 13,723,246            | 12,853,472        | 8,787,164                     | 44,460,876 |
| Feb. 28.....  | 28,692,981       | 10,093,258   | 12,851,226            | 13,251,779        | 7,316,701                     | 46,799,707 |
| March 31..... | 28,767,178       | 9,653,994    | 13,433,491            | 13,475,093        | 6,323,841                     | 48,010,786 |
| April 30..... | 28,855,152       | 9,006,224    | 14,247,941            | 13,639,750        | 6,634,997                     | 47,904,806 |
| May 31.....   | 29,346,863       | 8,444,787    | 14,256,764            | 13,985,580        | 9,390,232                     | 48,219,815 |
| June 30.....  | 29,467,774       | 8,312,386    | 13,938,447            | 14,765,880        | 7,384,197                     | 48,158,431 |

We notice, in October, 1865, a reduction in the Paid-up Capital of the Banks. This is due to the closing of the Bank of Upper Canada, which, in September, gave the following statement:—Capital \$1,939,845; Circulation \$754,472; Deposits not bearing interest \$511,845, bearing interest \$1,659,310; Coin, &c., \$104,925; Discounts \$2,481,192.

To complete our set of figures, we ought, however, to state the circulation of the Government Notes, and in doing so we show also the percentage the Government issue bears to the total circulation—commencing with the first return:—

\* The Bank of British North America does business under Royal Charter, but as under that charter it cannot issue Notes of small denominations it does so under our former Free Banking Act, now repealed except as regards that Bank. In New Brunswick it issues small Notes under a Special Act.

† The Banks now hold a considerable quantity of legal tender notes, instead of gold, this being found a convenience in settling their mutual balances. The Government is by law obliged to hold gold to redeem its notes, to the extent of one-fifth of the circulation, the balance being covered by Debentures.