

## BANKING.

The bank systems of the several Provinces of the Dominion are not uniform, but Government and Parliament have shewn a disposition to take up the subject of banking at an early date, and the monetary laws will, no doubt, be soon assimilated. The main features of the existing state of affairs are these:—

The Banks in all the Provinces are all joint stock enterprises, specially chartered by the Legislature, except the Bank of British North America, which exists by royal charter.\*

There are 39 charters† in existence in Canada, of which 26 are in operation, besides the Bank of British North America, which does business in and is in a manner common to all the Provinces.

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The capital of these various banks varies from \$60,000 to \$6,000,000. Their total authorised capital is \$38,000,000—the greater part of which is paid up.

The shareholders of the Bank of British North America are limited in their liability to the amount of their stock, but their notes under \$4 still issued under the "Free Banking Act" of the late Province of Canada, are exceptionally secured by the deposit under that Act of Government debentures.

In the Ontario and Quebec charters, the shareholders are nominally liable to twice the amount of their stock, but it is believed that legal difficulties would interfere with the realization of any further amount than that of the stock subscribed. There is one exception to the above, the Banque du Peuple, which is really a partnership *en commandite*, in which, while the shareholders are only liable to the extent of their stock, the directors are liable under certain limitations for all the debts of the bank.

In New Brunswick, also, the double liability claim usually exists, if not in the original charters, then in the amendments which several banks have from time to time obtained.

In Nova Scotia, the shareholders appear to be liable for a further amount equal to the stock they hold, but only in case of maladministration or violation of the provisions of these banks' incorporation.

The notes issued by banks are not in any province a legal tender, but they are everywhere redeemable in gold at the place of issue. In Quebec, Ontario and New Brunswick, these notes are of the denominations of \$1, \$2, \$4, \$5, \$10, \$20, \$50, \$100, \$500, and \$1000. In Nova Scotia, banks are not allowed to issue notes of less than \$20, but the issue of \$4, \$5, and \$10 Provincial notes has supplied the deficiency. The Dominion Government will soon issue \$1 and \$2 notes there too.

Government notes, it may be stated, are a legal tender, payable in gold on demand at the offices of the Bank of Montreal, (as agent for the Government,) in Montreal and Toronto.

Notes stamped "St. John" have also been issued in New Brunswick, and are redeemable in gold at the office of the Bank of Montreal in St. John. The currency of New Brunswick and that of Quebec and Ontario being of the same value, the Bank of Montreal also redeems in St. John the notes stamped "Montreal" and "Toronto."

Notes stamped "Halifax" have also been lately issued in Nova Scotia, and are redeemable in gold at the office of the Bank of Montreal in Halifax. Nova Scotia currency being of less value than that of the rest of the Dominion, (the sovereign being £5, instead of \$4.86 $\frac{2}{3}$ ), these notes are only taken by the Bank of Montreal in St. John at 3 per cent. discount, which is about their value in Quebec and Ontario also.

The character and standing of the banks is really the only security for the redemption of notes, although most of the Quebec and Ontario charters contain stipulations that the circulation shall not exceed the joint amount of the paid up capital, specie and Government securities held by banks, and that their total liabilities shall not exceed three times this amount. In New Brunswick, the principal restriction seems to be that the total liabilities of the banks shall not exceed twice their capital. In Nova Scotia, that they shall not exceed thrice their capital.

In Ontario and Quebec, the banks are obliged to hold 10 per cent. of their paid up capital in Government securities. No such condition obtains in the other Provinces.

Nowhere is there any guarantee for the safety of deposits or compulsion as to the way in which they shall be invested.

The rate of discount throughout the Dominion is now regulated by sections 17, 18, and 19 of 31 Vic., cap. 11, which provide that Banks shall not incur any penalty for usury. They may stipulate for any rate of discount not exceeding seven per cent. in advance; but no higher rate is recoverable. In addition to the discount, however, Banks may, in discounting paper elsewhere than where payable, charge one-eighth of one per cent. on paper running less than 30 days, and an additional one-eighth for every other 30 days. This is when it is payable at its own branches. If payable elsewhere than at its own branches, it may charge  $\frac{1}{2}$  of 1 per cent. for agency, &c., in addition to the discount.

The practical operation of these clauses is to allow of free trade in money, and of classification of customers. At the present time, certain customers can get money from Banks at 6 per cent., or less; others are paying 10, 10 $\frac{1}{2}$ , or more.

In our last *Year Book* we stated that we hoped to be able to present this year a table shewing the monthly fluctuations of bank business throughout the Dominion, but we are as yet unable so to do, because several of the banks in the Lower Provinces have until now neglected the law which directs them to make regular returns to Government. We therefore give this statement for Ontario and

\* There are a few private Banks, owned by individuals—one in Toronto, two in Halifax.

† From a speech delivered in Parliament by Hon Mr. Rose, Minister of Finance, we extract the following:—

"The time draws nigh at which the charters of all the banks in the old Province of Canada will expire. They are limited in their operation to June, 1870, and until the end of the then next session of Parliament. There are 3 banks in Nova Scotia, with an aggregate capital of \$300,000, expiring in 1871; another in New Brunswick, with a capital of \$200,000, expiring in 1871; another in New Brunswick, with a capital of \$600,000, in 1876; one in Nova Scotia, with a capital of \$200,000, in 1879; one in New Brunswick, with a capital of \$500,000, in 1881; one in Nova Scotia, with a capital of \$120,000, in 1885; and lastly, one in New Brunswick, with a capital of \$60,000, in 1890, beyond which no bank charter in Canada extends."