

A second peculiarity of the system may be noted—the existence and operation of the Canadian Bankers' Association. Through this body, which was incorporated in 1900 and acts under the authority of the Dominion Treasury Board, co-operation of individual banks is facilitated and encouraged. The Association supervises clearing house transactions, appoints curators to supervise the affairs of banks which have suspended business and oversees the printing and issue of notes to its members. Adherence to similar principles and a linking together of the credit of the system result from the co-operation secured through the association.

The elimination of weaker banks and their amalgamation with more stable ones has been a progressive move towards greater efficiency. Co-operation between the banks and the Dominion Government has been made permanent through the medium of periodic returns and the regulation of note issues and reserves.

Apart from the many detailed services rendered to its clients, the Canadian banking system may be said, in addition, to perform three main functions. In brief, they are as follows:

1. To put into circulation the paper currency which forms the circulating medium for small exchanges.

2. To provide a mechanism of exchange by the issue of bills of exchange, etc.

3. To form a means by which the credit of the banks and unused deposits may be put to immediate productive use.

Banking Legislation.—Note issue was formerly considered as the chief function of the banks, and banking legislation dealt mainly with such issue. In 1830 the Banking Act was amended so that the total amount of notes of less than \$5 in circulation might not at any one time exceed one-fifth of the paid up capital, that no notes under \$1 should be issued and that all issues of less than \$5 might be limited or suppressed by the Legislature. In 1841, in the first session of the Canadian Legislature after the Union, the Banking Act imposed a tax of 1 p.c. upon the bank note circulation, together with provisions for the double liability of shareholders. In 1850 a new Act prohibited any bank other than those incorporated by Act of Parliament or Royal Charter from issuing notes. The tax on circulation was abolished, and instead a deposit with the Government of \$100,000 in provincial debentures was required; for the first time monthly bank statements were required to be furnished to the Government.

In 1871, the first Dominion Bank Act provided for a minimum capital of \$500,000, the restriction of bank note issue to notes of \$4 and upwards, the redemption by banks of their own notes at any of their offices, the limitation of dividends until a reasonably large reserve fund had been accumulated, the holding of Dominion notes to the extent of at least one-third of the cash reserve, the prohibition of a bank lending money on its own stock; the forfeiture of the charter of any bank which left any of its liabilities unpaid for 90 days; also, in order that the double liability might be effectively enforced, banks were required to transmit certified lists of shareholders to the Minister of Finance. The charters were granted for ten years only, so as to facilitate the contemplated decennial revisions of the Act.

The first revision of the Bank Act took place in 1881. The noteholder was now recognized as prior creditor, the banks were prohibited from issuing notes under \$5, while notes of higher denominations were to be multiples of this sum. Dominion notes were to constitute not less than 40 p.c. of a bank's cash reserve, and banks were upon request to pay in Dominion notes sums not exceeding \$50.

At the second revision of the Bank Act (1891), the chief change was the establishment of the Bank Note Circulation Redemption Fund, founded as a consequence of