up capital, and no notes under 5 shillings ($1) might be issued, it being further provided that all issues of less than £1 might be limited or suppressed by the Legislature.

In 1841, in the first session of the Canadian Legislature after the Union, a tax of 1 p.c. was imposed upon bank-note circulation, which was limited to the amount of paid-up capital, notes of less than £1 not to exceed one-fifth of such capital. Various charters granted or renewed after the Union included provisions prohibiting banks from holding shares of their own stock or granting advances there-against. They were also prohibited from lending on the security of lands, houses, ships or pledge of merchandise (though such could be taken as additional security for debts previously contracted) or holding lands or houses except for the transaction of their business, neither could they own ships or be engaged in trade except as dealers in bullion or bills of exchange, the object being to confine transactions to legitimate banking business. Statements of assets and liabilities were to be submitted periodically—half-yearly or yearly—and such further information as the Government might call for was to be supplied confidentially. A further and important enactment was the imposition of the double liability upon shareholders, which had not previously existed with respect to the banks of Lower Canada, although it had for several years been a requirement of the younger banks of Upper Canada and first appeared in British North America in the Act incorporating the Bank of Nova Scotia enacted in 1832. Suspension of specie payments on demand for a period of 60 days, either consecutively or at intervals during one year, was to cause forfeiture of charter. Total liabilities were not to exceed thrice "the aggregate amount of capital stock paid in, and the deposit made in the bank in specie and Government securities for money", but this provision proved of doubtful utility.

In 1850 what was known as the "Free Banking Act" prohibited any but the chartered banks or other corporations or persons authorized under the new Act from issuing notes. A period of one year was allowed for banks or companies whose right of issue was thus withdrawn to retire their notes outstanding. It was provided that individuals or partners might establish banks, or joint stock companies with a minimum capital of £25,000 ($100,000) might be formed to carry on the business, but in such cases operations were to be confined to an office in but one place and total liabilities were not to exceed thrice the amount of paid-up capital. In order to issue notes the banks thus formed were obliged to deposit with the Receiver-General provincial or provincially guaranteed securities for not less than £25,000 ($100,000) par value, receiving therefor registered notes. The chartered banks already existing could surrender their right of circulation against assets and secure from the Receiver-General registered notes in return for the deposit of securities, which special issue was not subject to the 1 p.c. tax imposed by the Act of 1841. The legislation included provisions giving effect for the first time to the principle of making bank notes a preferred claim, it being stipulated with respect to any one-office banks established under the Act that, if securities against outstanding notes did not realize sufficient, the general assets of a bank, if wound up, were first to be applied towards the payment of its notes.

Legislation of 1851 increased from one to five years the period allowed for the retirement of note issues not in conformity with previous legislation, pro-