

vided at least one-fourth of the average circulation during the year 1850—and not secured by the pledge of bonds—was retired annually. Provision was made for partial remission and entire exemption within a specified period of the tax on bank-note circulation, subject to certain restriction of such circulation. At the same time permission was granted to issue in excess of the restricted formula against gold or silver coin or bullion, or debentures of any kind issued by the Receiver-General, without requiring the banks actually to deposit such debentures and secure registered notes. The debentures, however, were to be applicable exclusively to the redemption of notes in case of failure. Monthly rather than half yearly returns now became necessary. In 1853, to encourage the issue of "secured" notes, the issue was permitted in excess of paid-up capital to the extent of specie holdings or debentures receivable, although actual deposit of securities with the Receiver-General was not required. The tax of 1 p.c. was to be calculated only on the average circulation outstanding in excess of such specie and security holdings. Until 1858 banks charging or receiving interest at a rate higher than 6 p.c. were liable to onerous penalties. In that year it was enacted generally that any rate of interest might be exacted, but banks were prohibited from taking or stipulating for a higher rate than 7 p.c. In 1859, at the urgent request of the banks, a measure was passed authorizing them to make advances on the security of bills of lading and warehouse receipts covering certain commodities.

By 1861-2 free banking had practically run its course. In all, six banks had taken advantage of the legislation, one of which—the Bank of British North America—doubtless found it valuable. The others did not thrive. The Act was finally repealed by the Provincial Notes Act of 1866, which aimed at a gradual reduction in the volume of bank-note circulation.

By Section 91 of the British North America Act, the right to legislate respecting banking, the incorporation of banks and the issue of paper money was assigned exclusively to the Dominion Parliament. A temporary measure was passed in 1867, largely by way of re-enactment until 1870 of previous legislation, but extending the powers of banks formerly incorporated by any of the provinces to the territory of the whole Dominion, and subjecting banks in New Brunswick and Nova Scotia to a tax of 1 p.c. upon the excess of their average notes in circulation above their average holdings of coin and bullion. (In these provinces there had been no general banking Act, special provisions being embodied in the respective charters which differed in only a few essential respects from those granted in Upper and Lower Canada.) It was re-enacted that banks were entitled to hold and dispose of mortgages on realty as additional security for debts already contracted and to acquire title to mortgaged property if necessary.

The Bank Act of 1870 provided for a minimum paid-up capital of \$200,000 for new banks and that at least 20 p.c. of the subscribed capital must be paid up in each year after the commencement of business. A proposal to limit the liabilities of banks in relation to capital and specie and Government debenture holdings was not translated into legislation. Bank notes in circulation were not to exceed the amount of paid-up capital. The right to issue notes under \$4 was withdrawn, largely in consideration of the abolition of the tax of 1 p.c. on note