

circulation. If possible up to 50 p.c., but in no case less than one-third of a bank's cash reserves were to be held in Dominion notes. Dividends were limited to 8 p.c. until or unless the bank's reserve fund was the equivalent of 20 p.c. of its paid-up capital. In case of the failure of a bank, double liability of shareholders became enforceable without waiting for the realization of the bank's general assets. Banks were required to transmit certified lists of shareholders annually to be laid before Parliament. Any existing bank was permitted, on the authority of the shareholders, to apply for an extension of its charter, and the Governor-in-Council, upon the recommendation of the Minister of Justice and the Treasury Board, was empowered to extend such charter to 1881. Any suspension by a bank of payment of its liabilities for a period of 90 days would constitute insolvency, and operate as a forfeiture of its charter.

In 1871 the first comprehensive Banking Act of the Dominion was passed. A large part of the Statute was devoted to the re-enactment and consolidation of legislation already in force, although the measure of 1870 contained the main features of the Government's policy. The procedure relative to extension of charters laid down in the preceding year was superseded by this Act, which became the charter of the banks until July 1, 1881, that date being set in contemplation of regular decennial revisions. No new bank was permitted to commence business with less than \$500,000 capital *bona fide* subscribed and \$100,000 similarly paid up, with the further proviso that at least \$200,000 must be paid up within two years after commencement of business. The sections respecting loans against warehouse receipts, etc., were thoroughly revised and difficulties of procedure removed. Banks were permitted to take security on commodities in store pending marketing and also while undergoing conversion from the raw to the finished state. Advances were allowed upon security of shares of other banks. It was provided that a bank might charge any rate of interest or discount not exceeding 7 p.c., but that no higher rate should be recoverable. Monthly returns of assets and liabilities were required. Certain technical amendments were made to the Bank Act in 1872, 1873 and 1875. In 1879 the power to lend upon the security of shares of other banks was repealed.

At the first general revision of the Bank Act in 1880 (effective 1881) a note holder was definitely recognized as a preferred creditor, claims of the Dominion and Provincial Governments respectively to rank next in order of preference. Banks were prohibited from issuing notes under \$5, higher denominations to be multiples of this sum. Dominion notes were now to constitute not less than 40 p.c. of the bank's cash reserves. Monthly returns of a more detailed character were to be made. The Act was amended in 1883 so as more effectively to enforce the prohibitions, restrictions and duties already imposed upon the banks. The use of certain titles by private bankers not operating under the provisions of the Act was prohibited.