

The branch bank forms perhaps the most distinctive feature of the Canadian system as it exists to-day, and for a country such as Canada, vast in area and with a small population, the plan has proved a good one. A result of the growth of branch banks has been the partially centralized system that now obtains—centralized as to banks, of which there are now 10, rather than as to districts as in the partially centralized system of the United States.

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 or 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 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 their unused deposits may be put to immediate productive use.

Bank Legislation.—An article treating of bank legislation from 1820 to the present, furnished by the Office of the Inspector-General of Banks, Department of Finance, appeared at pp. 891-896 of the 1931 edition of the Year Book.

Banking Statistics.—In Table 10 is given an historical summary of Canadian banking business since Confederation. In order to afford a clear view of the nature of banking transactions in Canada, bank liabilities have been classified in two main groups, liabilities to shareholders and liabilities to the public, only the latter group being ordinarily considered when determining the financial position of any such institution. Assets are divided into four groups, other assets being included in the total. As of interest to students of banking practice, the relative rates of increase of capital and reserve funds may be noted on the accompanying graphs, also the great increase in the proportion of liabilities to the public to total liabilities, and the gradually increasing percentage of liabilities to the public to total assets. The declining proportion of notes in circulation to total liabilities to the public is also characteristic of the evolution of banking in recent times. Holdings of Dominion and Provincial Government and municipal securities were relatively insignificant prior to the Great War.