

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 is 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 institutions 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 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.

**Banking Legislation.**<sup>1</sup>—The history of Canadian banking legislation began over a century ago with the granting, between 1817 and 1822, of the Royal Assent to charters incorporating the Bank of New Brunswick, the Bank of Upper Canada, the Bank of Montreal, the Quebec Bank and the Bank of Canada. The right to issue bank notes existed and was exercised by private banks without legislative sanction for a considerable period after the early charters were granted, and before banks became the subject of general legislation. In Lower Canada the practical monopoly of issue was conferred upon the chartered banks by an Act of 1830, whereby the total amount of notes of less than £1 (\$4)<sup>2</sup> in circulation might not at any time exceed one-fifth of the paid-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

<sup>1</sup> Revised from information furnished by the Office of the Inspector-General of Banks, Department of Finance.

<sup>2</sup> In the "Old Currency" £1 was equivalent to \$4 and 1 shilling to 20c.