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 been for several years 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 A period of one year was allowed for banks or companies, whose right of issue was thus withdrawn, to retire their notes outstanding.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 only 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 the period allowed for the retirement of note issues not in conformity with previous legislation from one to five years, provided 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 from 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.