

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 The Act was finally repealed by the Provincial Notes Act of 1866, which aimed at a gradual reduction in the volume of bank note circulation.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 that new banks must have a minimum paid-up capital of \$200,000 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 The right to issue notes under \$4 was withdrawn, largely in consideration of the abolition of the tax of 1 p.c. on note circulation.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