

Section 2.—Banking in Canada.

Historical.—In the early days of banking, one of the chief functions of banks was to issue promissory notes payable to the bearer on demand; where the banks' credit was good these notes passed freely from hand to hand, and were the chief circulating medium in the Canadas. In some cases in the Maritime Provinces bank notes were preferred to those issued by the Provincial Governments.

The need of a uniform circulating medium in Canada was felt by the merchants of Montreal toward the end of the eighteenth century, and the prospectus of a proposed bank of issue to be known as the Canada Banking Company was issued in 1792. This scheme, however, depended chiefly on the co-operation of British capital and was frustrated by the outbreak of war with France. A second project in 1808 for the incorporation of a Bank of Canada failed to secure the assent of the Legislature of Lower Canada.

At the close of the War of 1812 the army bill currency was withdrawn, and public attention once more turned to the expediency of securing a currency through the establishment of banks. The Bank of Montreal began business toward the end of 1817 as a private institution, under articles of association based on the first charter of the Bank of the United States. In the following year, under similar articles of association, the Quebec Bank was established, as well as the Bank of Canada at Montreal and the Bank of Upper Canada at Kingston. The three Lower Canadian institutions obtained their provincial charters in 1822, while the Bank of Upper Canada was superseded by a second Bank of Upper Canada established at York (Toronto) as a chartered bank in 1821. Meanwhile the Bank of New Brunswick had been incorporated in 1820, while in Nova Scotia the Halifax Banking Co. (private) commenced business in 1825, and the Bank of Nova Scotia received a regular charter in 1832. With all of these earlier banks note issue was an important part of their business.

The Bank of British North America, previously incorporated in the United Kingdom, commenced business in Canada in 1836, while Molson's Bank was established in 1853, the Bank of Toronto in 1855, the Banque Nationale in 1860 and the Banque Jacques-Cartier (later the Banque Provinciale du Canada) in 1862. The Union Bank was established in 1866, the Canadian Bank of Commerce in 1867. There were no fewer than 28 banks in existence at Confederation. These were as follows:—

Ontario and Quebec.

Bank of Montreal.
Quebec Bank.
Commercial Bank of Canada.
City Bank.
Gore Bank.
Bank of British North America.
Banque du Peuple.
Niagara District Bank.
Molson's Bank.
Bank of Toronto.
Ontario Bank.
Eastern Townships Bank.
Banque Nationale.
Banque Jacques-Cartier.
Merchants' Bank of Canada.
Royal Canadian Bank.

Union Bank of Lower Canada.
Mechanics' Bank.
Canadian Bank of Commerce.

Nova Scotia.

Bank of Yarmouth.
Merchants' Bank of Halifax.
People's Bank of Halifax.
Union Bank of Halifax.
Bank of Nova Scotia.

New Brunswick.

Bank of New Brunswick.
Commercial Bank of New Brunswick.
St. Stephen's Bank.
People's Bank of New Brunswick.