The Development of Currency and Banking after Confederation.

Currency Acts.—At Confederation, jurisdiction over currency passed to the Dominion Government. By the Uniform Currency Act of 1871 (34 Vict., c. 4), the decimal currency was extended throughout the Dominion; the British sovereign, rated at $4·86$\frac{2}{3}$, became the standard coin and the United States eagle was made legal tender for $10, while authority was given to coin a Canadian $5 gold piece. No Canadian gold coinage was issued, however, prior to the establishment of the Canadian branch of the Royal Mint in 1908, the first coins struck being sovereigns similar to those of the United Kingdom, but with a small "C" identifying them as having been coined in Canada. In May, 1912, the first Canadian $10 and $5 gold pieces were struck, but the Canadian gold coinage has so far been limited in amount, since Canadians have generally preferred Dominion notes to gold for use within the country, and, when gold is needed for export, bullion or British and United States gold coin serve the purpose equally well.

The currency system established by this Act was very little changed until the Currency Act of 1910 which made the standard a fixed weight of fine gold instead of the British sovereign, the latter becoming legal tender.

In respect to paper currency, the provisions of the Provincial Note Act of 1866 were extended to the new Dominion in 1868, and "Dominion" notes came into being. After 1870 such notes could be issued to the amount of $9,000,000 against a 20 p.c. specie reserve ($2,000,000 reserve was required for the entire $9,000,000) and notes in excess of this were to have 100 p.c. specie reserve. Dominion notes which were legal tender were in circulation side by side with bank-note issues which were not legal tender. In 1880 the basis of the present system was definitely established (see below, p. 877, and under heading Chartered Bank Notes, pp. 890-891).

The Bank Act.—After tentative legislation in 1867, the Bank Act of 1870 provided that new banks must have a minimum paid-up capital of $200,000; at least 20 p.c. of the subscribed capital had to 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 The right to issue notes under $4 was withdrawn, largely in consideration of the abolition of the tax of 1 p.c. on note circulation.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