

## Section 5.—Commercial Banking.

### Subsection 1.—Historical.

Since one of the chief functions of the early banks in Canada was to issue notes to provide a convenient currency or circulating medium, it has been expedient to cover both currency and banking in the one historical sketch which will be found on pp. 873-879. However, the function of note issue is no longer as important as it was. Latterly, the services of the chartered banks in gathering deposits from innumerable sources have emphasized the importance of deposit banking by which the savings of the people are put to immediate productive and commercial use; with the development of commercial banking, other necessary commercial banking facilities have been given more importance. Included among these is the mechanism of bills of exchange by which foreign trade is financed. The principal features of this development of commercial banking facilities in the evolution of the Canadian banking system may be summarized as follows: (1) its origin, closely related to the Montreal produce and export trade and to the commerce of Halifax and Saint John; (2) the development of the branch bank system in order to meet the demands of a rapidly moving frontier of settlement; (3) the adaptation to the requirements of the grain and cattle trade of the west; and (4) the consolidation during later years of the features which tended towards its early success. The development of a stable system has been accompanied by failures, particularly marked about the middle of the 19th century, but progress has nevertheless been steady, based on sound principles, and adapted as closely as could be to the particular needs of the country.

The branch bank is perhaps the most distinctive feature of the Canadian system as it exists to-day, and for a country such as Canada, vast in area and with a small population, the plan has proved a good one. A result of the growth of branch banks was the development of a partially centralized system—centralized as to banks, of which there are now ten, rather than as to districts as in the partially centralized system of the United States. There were 28 chartered banks in existence at Confederation. The elimination of weaker banks or their amalgamation with more stable institutions has been a progressive move towards greater security and confidence. The banks at Confederation 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.

Tables 8 and 9 show, respectively, the insolvencies and amalgamations since 1867.