

the affairs of suspended banks. The amended Act also included provisions permitting one bank to sell its assets to another. More detailed monthly returns were required and the interest on notes of failed banks was reduced from 6 p.c. to 5 p.c. In 1908, after the financial crisis of 1907, provision was made for emergency circulation during the crop-moving season from October to January, when banks were allowed to issue excess circulation up to 15 p.c. of their combined paid-up capital and rest or reserve funds, this emergency circulation to be taxed at a rate not exceeding 5 p.c. per annum. In 1912, the period was extended to the six months from September to February, inclusive.

At the fourth revision of the Bank Act in 1913 provision was made for an audit of each bank's affairs by auditors appointed by the shareholders. There was also provision for the establishment of Central Gold Reserves in which banks might deposit gold or Dominion notes for the purpose of issuing additional notes of their own there-against. Annual reports to the Minister of the fair market value of real and immovable property held by the banks for their own use were required. Banks were empowered to lend to farmers upon security of their threshed grain. As a war measure the provision for emergency circulation was extended in 1914 to cover the whole year and banks were further authorized to make payments in their own notes instead of in gold or Dominion notes.

The fifth revision of 1923 (13-14 Geo. V, c. 32) resulted in numerous important changes. The qualifications of provisional directors were re-defined, while provision was made for keeping records of attendance at directors' meetings and bringing them to the notice of shareholders. Annual and monthly statements were given further attention and more complete returns required, including statements of controlled companies in the names of which any part of a bank's operations were carried on. Other or special returns were to be made if called for by the Minister. Two auditors were now to be appointed by the shareholders instead of one, and the qualifications, duties, and responsibilities of auditors were more clearly defined. The personal liability of directors in case of distribution of profits in excess of legal limits was also more definitely expressed. Regulations regarding loans were amended and advances to any officer or clerk of a bank could not, in any circumstances, exceed \$10,000. Registration of security for loans under Sec. 88 was provided for. It became necessary for guarantee and pension funds to be invested in trustee securities. The punishment of directors and other bank officials for making false statements of a bank's position was provided for in Sec. 153. In 1924, as a result of the failure of the Home Bank of Canada, provision was made for periodical examination of the chartered banks by an Inspector-General of Banks, who was to be an officer of the Department of Finance.

The sixth revision of the Bank Act was postponed from 1933 to 1934 (c. 24), for adaptation to the establishment of the new Bank of Canada, and most of the alterations outlined the relations of the chartered banks with the Bank of Canada; these are given on pp. 906-907 in the résumé of the legislation under which the Bank of Canada was set up.

Early Development of Central Bank Institutions.—As noted above certain features of a central banking system had become evident before the establishment of the Bank of Canada, and provided more centralized control and flexibility of cash reserves. In chronological order with their origins these are again summarized here:—

1.—*Central Note Issue*, permanently established with the issue of Dominion notes under legislation of 1868.