

Since the Establishment of the Bank of Canada.—When the Bank of Canada was established, the chartered banks turned over their reserves of gold in Canada and Dominion notes to the new bank in exchange for deposits with, and notes of, the Bank of Canada. It was provided that, henceforth, the chartered banks were to carry reserves in these forms amounting to at least 5 p.c. of their deposit liabilities in Canada. Since that time, therefore, the gold reserves against currency and bank credit have been in the custody of the central bank except as affected by the Exchange Fund Order, 1940, as explained under Bank of Canada reserves in Subsection 1.

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 is given at pp. 901-905 of the 1938 Year Book. A list of the banks at Confederation appears at p. 897 of the 1940 Year Book and bank absorptions since 1867 are given at pp. 812-813 of the 1941 edition. A table at pp. 894-895 of the 1937 Year Book shows the insolvencies since Confederation; there has been none since 1923.

The Bank Act Revision of 1944.—According to statute the charters of the commercial banks in Canada are renewable every ten years and, at the same time, the Bank Act is revised. The revision of 1944 resulted in the following principal changes:—

An important feature of the revision was the reduction in the par value of bank shares (Sect. 10) from \$100 each to \$10 each, the objective being to create a wider public distribution of such shares.

The banks will now report annually to the Minister of Finance in a prescribed form their earnings and expenses, and such statistics will be published for the banks as a group (Sect. 53). Statutory effect was also given to the practical responsibility of the Minister with regard to inner reserves [Sect. 56(9)].

The note circulation privileges of the chartered banks have been further restricted by statutory limitation whereby the Canadian note circulation of any chartered bank, already limited to 25 p.c. of its unimpaired paid-up capital on and after Jan. 1, 1945, will gradually decline as the right to issue or re-issue notes in Canada on and after that date has been cancelled, and will disappear completely after Jan. 1, 1950. Banks may not have outstanding in their own notes issued for circulation outside Canada an amount in excess of 10 p.c. of their paid-up capital (Sect. 61).

The desire to enlarge facilities for loans to farmers and fishermen was made possible by provision for "intermediate" credits to farmers and fishermen to increase the efficiency of their operations or to add to the amenities of life on the farm (Sect. 88). The banks have expressed themselves as willing and anxious to facilitate