

An amendment to the Bank Act concerned the minimum cash reserves which the chartered banks are required to hold in the form of notes of and deposits with the Bank of Canada. The banks had been required to maintain at all times cash reserves of not less than 5 p.c. of their Canadian dollar deposit liabilities. In practice, they normally attempted to maintain a ratio of about 10 p.c. As a result of the amendment, the banks are now required to maintain cash reserves, on the average during each calendar month, equal to not less than 8 p.c. of their Canadian dollar deposit liabilities. In conjunction with this change, an amendment was made to the Bank of Canada Act which gives the Bank of Canada power to vary the minimum cash reserve requirement between 8 p.c. and 12 p.c. of Canadian dollar deposit liabilities, provided that the chartered banks are given a minimum period of one month's notice before each increase becomes effective and that the increase effective in any one month is not more than 1 p.c.

The National Housing Act 1954 gives the chartered banks authority to lend money for residential construction on the security of mortgages insured by a government agency. Prior to 1954, the Bank Act had prohibited the chartered banks from lending money on the security of mortgages on real or immovable property, except for loans made under the terms of the Farm Improvements Loans Act of 1944 and the Veterans Business and Professional Loans Act of 1946.

Another amendment to the Bank Act allows the banks to lend money to individuals, other than manufacturers or dealers, on the security of motor-vehicles or any other personal or movable household property.

With the development of the Canadian oil industry, a new section has been added to the Bank Act which allows oil loans to be made on various types of security, including oil in the ground.

The amount of capital which a newly-incorporated bank must have before it commences business has been doubled. The requirements are now a minimum subscribed capital of \$1,000,000 and a minimum paid-up capital of \$500,000. The previous requirements had been in effect since 1890.

Another amendment to the Bank Act was related to the problem of raising new capital. Under the provisions of the old Act there were difficulties attached to making a new issue of capital stock if the bank concerned had shareholders resident in countries where considerable detailed information (which banks are not required to make public in Canada) must be filed before the issue of capital stock is approved. The amendment relieves banks of the obligation to make offerings to shareholders resident in such countries.

After 1935, the chartered banks' note circulation in Canada was gradually withdrawn and, in July 1950, the banks paid to the Bank of Canada approximately \$13,500,000, an amount equal to their outstanding Canadian notes, and, thereafter, the Bank of Canada became liable to redeem the notes on presentation. Some of the banks with foreign branches have continued to maintain a small issue of foreign currency notes but the costs, including taxes, have made it an unprofitable operation. The Bank Act now provides that all note-issuing privileges of the banks shall cease and also provides for methods of retiring the outstanding foreign note circulation