

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After 1935 the chartered banks' note circulation in Canada was gradually withdrawn and in July 1950 the banks paid to the Bank of Canada approximately \$13,500,000, an amount equal to their outstanding Canadian notes, and thereafter the Bank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. With the above mentioned payment by the chartered banks to the Bank of Canada, the additional liability, often referred to as the "double liability", which formerly attached to a bank's shares in proportion to its outstanding note issue, was cancelled. When there was additional liability attached to the bank's shares it was essential that the shares could be transferred only by registration on the books of the bank. As this is no longer necessary an amendment to the Bank Act provides that each bank, if it so wishes, may provide for another method of share transfer.

**Liquid Asset Ratio.**—In the course of discussions with the chartered banks in November and December 1955 the Bank of Canada urged the adoption of a standard practice regarding the maintenance of a minimum ratio of liquid assets (cash, day-to-day loans and treasury bills) to deposits. The purpose of this suggestion was to establish a working principle of bank operations which would help the central bank in the task of restraining inflationary pressures that might threaten in the future. After discussion the banks agreed to work to achieve by May 31, 1956 a minimum liquid asset ratio of 15 p.c. which they would endeavour to maintain on a daily average basis from June on. On this basis fluctuations above or below 15 p.c. might occur from day to day or week to week, but for the month as a whole the average would not be below the target ratio.

**Branches of Chartered Banks.**—Although there are fewer chartered banks now than at the beginning of the century, there has been a great increase in the number of branch banking offices. Owing mainly to amalgamations, the number of banks declined from 34 in 1901 to 10 in 1931, and remained at that figure until the incorporation of a new bank—the Mercantile Bank of Canada—in 1953 brought the total to 11. Since