

### Section 3.—Commercial Banking

As 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 one historical sketch, which is given in the 1938 Year Book, pp. 900-905. A list of the banks at Confederation appears in the 1940 Year Book, p. 897, and bank absorptions since 1867 are given in the 1941 edition, pp. 812-813. A table in the 1937 Year Book, pp. 894-895, shows the insolvencies from Confederation; the last insolvency occurred in 1923. The more important of the revisions in banking legislation contained in the 1954 Bank Act are outlined in Subsection 1.

#### Subsection 1.—Chartered Banks

Canadian commercial banks are chartered or licensed by the Government of Canada and operate under one federal statute—the Bank Act—which is revised every ten years and brought into line with changing economic conditions. In addition to conducting a commercial banking business the chartered banks hold most of the public's savings deposits. The last revision of the Bank Act took place in 1954. An outline of the revisions made at that time is given in the 1956 Year Book, pp. 1109-1110.

**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. From June 1956 the banks have maintained a daily average ratio of at least 15 p.c.

**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. As a result of 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 then the amalgamation in 1955 of the Bank of Toronto and the Dominion Bank as the Toronto-Dominion Bank, and the amalgamation of Barclays Bank (Canada) with the Imperial Bank of Canada in 1956 has reduced this number to nine. The number of branches of chartered banks in each province from 1868 is given in Table 8.

#### 8.—Branches of Chartered Banks by Province as at Dec. 31 for Certain Years 1868-1957

NOTE.—Figures for 1920 and subsequent years include sub-agencies in Canada receiving deposits for the banks employing them; there were 718 such sub-agencies in 1957.

Province or Territory	1868	1902	1905	1920	1926	1930	1940	1943	1946	1950	1955	1956	1957
	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.	No.
Newfoundland.....	---	---	---	---	---	---	---	---	---	39	52	55	59
Prince Edward Island.....	---	9	10	41	28	28	25	23	23	23	24	24	24
Nova Scotia.....	5	89	101	169	134	138	134	126	127	144	152	156	160
New Brunswick.....	4	35	49	121	101	102	97	93	96	100	109	109	110
Quebec.....	12	137	196	1,150	1,072	1,183	1,083	1,041	1,067	1,164	1,280	1,318	1,338
Ontario.....	100	349	549	1,586	1,326	1,400	1,208	1,092	1,117	1,257	1,484	1,544	1,586
Manitoba.....	—	52	95	349	224	239	162	148	151	165	187	200	207
Saskatchewan.....	—	30	87	591	427	447	233	213	226	238	261	265	269
Alberta.....	—	30	87	424	269	304	172	163	190	246	307	322	338
British Columbia.....	—	46	55	242	186	229	192	180	216	294	382	414	437
Yukon and N.W.T.....	—	—	3	3	3	4	5	5	6	9	8	9	10
<b>Canada.....</b>	<b>123</b>	<b>747</b>	<b>1,145</b>	<b>4,676</b>	<b>3,770</b>	<b>4,083</b>	<b>3,311</b>	<b>3,084</b>	<b>3,219</b>	<b>3,679</b>	<b>4,246</b>	<b>4,416</b>	<b>4,538</b>