

kinds of lending. It enables banks to make advances on the security of natural products and goods, wares and merchandise while they remain in the borrower's possession. These 'pledge' arrangements have facilitated loans to small businesses and farmers and have aided in commercial and manufacturing development, while giving the banks a reasonable degree of protection for their loans.

Today the Bank Act has become a most detailed and comprehensive piece of legislation which provides for the internal regulation and organization of the banks, for the auditing of their accounts, for the ways in which their capital stock may be issued and transferred, their dividends paid, and their affairs settled in case of amalgamation, winding-up or insolvency. In addition it states what cash reserves the banks must keep, what reports they must make to the Government and to the Bank of Canada about their affairs and sets forth a variety of rules governing the conduct of business with the public. The Bank Act also specifies the maximum rate of interest that may be charged on bank loans. (Since the 1944 Bank Act Revision this ceiling has been 6 p.c., replacing the 7-p.c. ceiling that had prevailed since 1871. The reduction came toward the end of a long period of 'easy money' and has not been revised upwards since.) The banks derive their corporate existence from the Act, which states that "each bank enumerated in Schedule A is a body politic and corporate and this Act is its charter"; successive Bank Acts have empowered the banks to do business for a period of ten years, until the next revision of the Act.

Banking Operations

Operating under the Bank Act, the chartered banks at their branches accept deposits from the public, make loans covering a wide range of commercial, industrial, agricultural and consumer activities, deal in foreign exchange, receive and pay out Bank of Canada notes and coin, provide safekeeping facilities, and perform a variety of other services coming within the scope of the general business of banking. The head office of a Canadian bank does not transact ordinary day-to-day business with the public; it performs general administration and policy-making functions, manages the bank's investment portfolio, does its centralized accounting work, and maintains specialized departments devoted to inspection of branch operations, the development of branch office methods, the acquisition of new business, premises, staff, arrangements with foreign banks, advertising, etc. The Head Office, too, is responsible for supervision of branch lending activities, although in recent years, with the great growth in the number of bank branches in all parts of the country, there has been a considerable decentralization of credit supervision in a network of regional offices. Indeed, since World War II there have been a number of important changes in the organization of banking activities. For one thing, mechanization of office work has proceeded rapidly. Concurrently, women, who entered banking in large numbers during the Second World War when male staff joined the services, have become an increasingly important part of bank personnel. Today over 35,000 women account for not far from 60 p.c. of bank employees, compared with some 5,000 before the War who comprised less than 25 p.c. of total staff.

Under its branch system, Canadian banking is able to provide standard banking facilities throughout the country. Every branch, even the smallest, can provide all banking services, and each has behind it the resources of a large bank, which means that lending requirements can be met just as well by a branch in a small town or a suburban branch as in the main branches of a large city. Branch banking also provides an excellent training for Canadian bank officers, through the system of promotion and transfer from branch to branch. Almost without exception, the chief executives of the Canadian banks have grown up in the service and have been trained in this way. And, it should be mentioned, with modern methods and an expanding banking system, opportunities for rapid promotion to the manager level and higher have never been better than in recent years.

The branch system has proved to be most flexible and Canadian banking has been able to keep pace with settlement and economic development even during its periods of most rapid growth. For example, in the fifteen years before the First World War, when the