

states that "each bank . . . 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.

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.

The branch system has proved to be most flexible and Canadian banking has been able to keep pace with settlement and economic development during its periods of most rapid growth. Particularly during the past quarter-century, with a rapidly expanding economy, sharply rising population and growing urbanization, new branches have opened at a very rapid rate. Banking offices in Canada, which numbered about 3,300 at the end of 1939 and 3,100 at the end of 1945, grew by over 2,400 in the next nineteen years. As this growth suggests, Canadian banks have taken full advantage of the recent expansive atmosphere to extend the volume and variety of their services to industry and to individuals. Strongly competing for customers, they offer a wide variety of new deposit arrangements, including new savings programs, new forms of chequing accounts and greatly broadened lending facilities.

By the end of the War, the banks had experienced more than fifteen years of restricted demand for commercial credit; at the end of 1945 security holdings accounted for about 55 p.c. of the banks' total assets, compared with a little over 40 p.c. just before the War and only about 15 p.c. in 1930. In the early postwar years, the economic control apparatus created for the War was gradually dismantled. The expansion of the private sector of the economy and the contraction of the government sector were quickly reflected in a shift of bank assets from government securities to commercial loans. Between the end of 1945 and the end of 1950, bank loans in Canadian currency increased from about 21 p.c. to 31 p.c. of total assets. There was, at the same time, a rapid growth in total assets, as the monetary authorities leaned to the side of relatively easy money conditions to stimulate the economy and to ward off the widely anticipated postwar recession. In the five years ended Dec. 31, 1950, total assets expanded from about \$7,300,000,000 to \$9,400,000,000, almost all of the increase being in Canadian assets.

It was not until the outbreak of the Korean War in June 1950 that the fear of inflation, arising from the heavy demands on Canadian resources, led to the adoption of restraining measures. Since then, the banks have experienced substantial changes in their credit-granting capacity, as the country's official monetary policy was adapted to meet changes in business conditions. Alternating periods of ease and restraint have been marked by periods of rapidly rising bank assets followed by levelling-off phases.