2.—Banking in Canada.

Historical.—In the early days of banking in older countries, one of the chief functions of banks was to issue promissory notes payable to the bearer on demand; where the bank's credit was good these notes passed freely from hand to hand, creating an auxiliary uniform circulating medium, which in various cases was preferred to that issued by national governments.

The lack of a uniform circulating medium in Canada was felt by the merchants of Montreal toward the end of the eighteenth century, and the prospectus of a proposed bank of issue to be known as the Canada Banking Company was issued in 1792. This scheme, however, was allowed to drop, while a second project in 1808, for the incorporation of a Bank of Canada, failed to secure the assent of the Legislature of Lower Canada.

At the close of the war of 1812, the Army Bill currency was withdrawn, and public attention once more turned to the expediency of securing a currency through the establishment of banks. The Bank of Montreal began business toward the end of 1817, with a charter based on that of the First Bank of the United States. In the following year the Quebec Bank was established, as well as the Bank of Canada at Montreal and the Bank of Upper Canada at Kingston. The three Lower Canadian institutions, commencing as private banks, obtained their charters in 1822, while the Bank of Upper Canada, also a private institution, was superseded by a second Bank of Upper Canada, established at York (Toronto) as a chartered bank in 1821. Meanwhile the Bank of New Brunswick had been incorporated in 1820, while in Nova Scotia the Halifax Banking Co. (private) had commenced business in 1825, and the Bank of Nova Scotia received a regular charter in 1832. The Bank of British North America, previously incorporated in Great Britain, commenced business in Canada in 1836, while Molson's Bank was established in 1853, the Bank of Toronto in 1855, the Banque Nationale in 1860 and the Banque Jacques-Cartier (now the Banque Provinciale du Canada) in 1862. The Union Bank was established in 1866, the Canadian Bank of Commerce in 1867, the Merchants' Bank of Halifax (now the Royal Bank) in 1869, the Dominion Bank in 1871, the Bank of Hamilton in 1872, the Banque d'Hochelaga in 1873, the Bank of Ottawa in 1874, the Imperial Bank in 1875 and the Standard Bank in 1876.

The Canadian Banking System.[1]—A brief *résumé* of the Canadian Banking system should emphasize its growth from the beginning as closely related to the Montreal produce and export trade, its development of the branch bank system in order to meet the demands of a rapidly moving frontier of settlement, its adaptation to the requirements of the grain and cattle trade of the west, and the consolidation during late years of the features which tended most towards its early success. Development of a stable system has been accompanied by failures, particularly marked about the middle of the 19th century, but progress has nevertheless been steady, based on sound principles and adapted as closely as could be to the particular needs of the country.

The branch bank forms perhaps the most distinctive feature of the Canadian system as it exists today, and for a country such as Canada, vast in area and with a small population, the plan has proved a good one. A result of the growth of branch banks has been the partially centralized system that now obtains—centralized as to banks, of which there are now 16[2], rather than as to districts, as in the partially centralized system of the United States.

[1] For details regarding Canadian bank note issue, see page 813.
[2] Nov. 30, 1923.