

annum, is fixed for the purpose by the Governor-in-Council, is to be paid to the Government as part of the general revenues of Canada. A return showing the amount of the excess notes in circulation must be sent monthly to the Minister of Finance.

Since 1880 note issues have been a prior lien upon the estate of a bank, prior even to a debt due to the Crown. This legislation was prompted by the failure of a small bank in 1879, which did not pay its notes in full. The bankers had urged such legislation in 1869, and, if they had succeeded in obtaining it then, we should be able to say to-day that, without further security than this prior lien on all assets, note issues had always been paid in full, no matter how bad the failure of the issuing bank.

At the revision of the Act in 1890 it was recognized that there were still two minor though serious defects in the system. It was frequently alleged by those who admired the National Bank Act of the United States, that while the currency created by it might not be elastic, the notes could not for any reason fail to be paid in full, or to circulate without discount throughout the entire area of the United States, while in Canada no similar boast could be made. The area of Canada is enormous relatively to population, and the notes of banks in one Province certainly passed at a discount in some of the others, a recurrence in a less aggravated form of a defect in the old State-bank issues of the United States. And, while it might be confidently asserted that all bank issues secured by being a first lien on the estate of the banks would eventually be paid in full, it was nevertheless true that, because of doubt and delay, the notes of a suspended bank might fall to a discount for the time being. To meet these two defects, the bankers at this time proposed the following new features, which were adopted by the Government:

1. To avoid discount at the moment of the suspension of a bank, either because of delay in the payment of the note issue by the liquidator or of doubt as to ultimate payment, each bank is obliged to keep in the hands of the Government a deposit equal to five per cent. on its average circulation, the average being taken from the maximum circulation of each