

payment of obligations. Now, as a bank gains nothing by paying out notes other than its own, it very soon, generally the following day, presents to the other banks for payment all their notes which it has received and payment of them must be made in gold or Dominion notes. These presentations are made through the Clearing House if there be one in the place, and to facilitate the payment the Government supplies the banks with Dominion notes of large denominations. As the demands of trade decrease there are less notes paid out and of course there are less in circulation, so that the system works automatically and with the necessary elasticity to meet neither more nor less the requirements from time to time. This is a great feature in our system and it is because of this daily redemption of notes that our currency has never become inflated. It answers in volume from time to time the requirements and no more than the requirements. Before leaving this branch of the subject I should point out that a bank cannot issue a note for less than \$5.00 or for any sum which is not a multiple of \$5.00. The notes forming our currency under \$5.00 are issued by the Government.

The Branch System

The next qualification of a proper banking system is that it should possess the machinery necessary to distribute money over the whole area of the country so that the smallest possible inequalities in the rate of interest will result.

Our system performs this duty with admirable success and it does it by means of branches and agencies in various parts of the Dominion. Section 64, of the Act, expressly authorizes the bank to "open branches, agencies and offices" and this power has been very extensively used. At the present time there are 36 banks in Canada, and these banks have nearly 1,700 branches in 581 different cities and towns in Canada. Our two largest banks have together 286 branches in Canada. For all practical purposes of convenience to the locality each branch is a separate bank, but instead of being a small bank with a limited capital it has behind it the strength and resources of the large institution of which it is a branch. The branch system works in this way. In one locality where there are few if any factories or active businesses carried on and where the farmers are prosperous, the savings of the people will exceed the demands for money and