

the Government, which authorizes the commencement of business.

Although it would be lawful to open a bank in Canada with only a paid-up capital of \$250,000 the chances of such an enterprise ever succeeding would be very slim. The present 34 banks have an aggregate paid-up capital of \$86,000,000, the average being \$2,530,000. One half of the banks in Canada (17) have paid-up capital, ranging from \$2,000,000 to \$14,400,000, their aggregate paid-up capital being \$73,000,000 and their average paid-up capital being \$4,300,000.

THE MOVEMENT IN FAVOUR OF LARGE BANKS

is shown by there being now 10 less than in 1881, when the average paid-up capital was \$1,360,000 against the present average of \$2,530,000. Now arises the vital question, "What security have the public that the notes issued by the banks will be paid?"

To this a most satisfactory answer is ready.

HOW NOTES ARE SECURED:

The provisions for securing the notes are as follows:

1. They are a first charge on the bank's assets.
2. Those assets, in case of need, may be supplemented by the double liability being enforced which would augment the assets by the amount of the existing capital.
3. The banks are compelled to deposit 5 per cent. of their circulation with the Government which money is available for redeeming its notes when a bank collapses, under certain conditions. This fund is known as "The Bank Circulation Redemption Fund."

As matters now stand the aggregate amount of assets, inclusive of those existing and available in case of need, and the Redemption Fund, amount to \$912,296,000, the notes in circulation being \$62,500,000. This provides \$14.60 security for every \$1 of circulation. But, if we take the extreme limit of the circulation, which at present is \$86,000,000, the banks have assets equal to \$10.60 for every \$1 of this amount.

Since Confederation, in 1868, 18 banks have retired mostly by amalgamation, but, with one small exception, the notes of those which became insolvent were all paid in full.

Well may there be such unbounded confidence felt in the absolute soundness of the bank notes issued in Canada.

The Bank Act ordains that each director must hold a certain number of paid-up shares, sufficient to show that he has a direct, substantial interest in the business which is to be carried on under his direction. The par value of a bank share in Canada is fixed by law at \$100. These are both wholesome provisions.

The Bank Act forbids any bank speculating, or investing in any real estate beyond what it requires for its premises. It cannot lend on mortgage, or on its own stock, or the stock of another bank, and, until its reserve fund is 30 p.c. of the paid-up capital, no dividend higher than 8 p.c. may be paid and in no case must the dividend, or part of it be paid out of capital. To safeguard the dividend and capital the banks held an aggregate reserve fund of \$60,000,000, the average being 69 p.c. of the paid-up capital, which shows them to hold a very strong position.

THE BRANCH BANK SYSTEM

is a salient feature in the Canadian banking system, as it is in that of Great Britain and France. By this plan small communities have the advantage of connection with the strongest banks in the country. Their deposits are thus secure, and the traders have all needful accommodation at the same rates as the merchants in a large city. Those branch banks are managed by trained officers who are free from such local influences as are the bane of the country banks in America. From these branches there flows out a stream of deposits and to them there goes a supply of currency when needed at harvest time, or when lumbering is active, or dairying activity calls for supplies. When these temporary, local needs are over the branches return the currency, so all the year round there is a free ebb and flow of money to and fro, between head offices and branches to the inestimable advantage of the business interests of the country.

The working of the currency system of Canada is almost perfect, it never creates congestion or stringency, but, when these begin to appear they are at once relieved by the almost automatic operation of the monetary system of this country.

In no other country are banking facilities more widely diffused than in Canada.

Another highly important feature in our system is the issuance in the third week of each month of a statement which exhibits in detail the position of each bank at the close of the preceding month, the items being classified under 38 heads. These monthly statements are available for any applicant, they are re-published in full or in a condensed form by a number of papers, some of which like THE CHRONICLE devote considerable space every month in giving an analysis of the bank statistics, with comparisons and comments that enable a thorough understanding to be arrived at by the public as to the position of the banks and the movements of their business. To this widely extended knowledge is largely due the remarkable confidence felt by Canadians in their banks which has repeatedly protected them from being disturbed by such panics and scares as so frequently upset business in the United States.