

15 to 20 per cent. was formerly held. I do not think a higher per centage is necessary now. Formerly a large proportion of the gold held by the banks was withdrawn by brokers from the United States. This has of late years entirely ceased; the average circulation used in this country, has considerably diminished from former years, and the gold required is only that needed for the settlement of balances between banks. The effect of the Provincial Note Act has been injurious, because it has worked partially in giving an undue preponderance of power to one bank; had all the banks adopted the scheme, I think it would have been a measure advantageous to them and the general interest of the country.

I would suggest that were some scheme adopted whereby the circulating notes of banks would be secured, either by pledges of Government Stock or making such circulation a first lien upon the assets of the banks, when a recurrence of similar crises would not occur. It rarely happens that a panic is created or a run precipitated by depositors; the note-holders are the first to take the alarm; therefore I think by securing a uniform unquestionably secured note, the primary cause of panic is removed. Any legislation, however, to withdraw or lessen the expansive power the currency possesses under the present banking system, would, in my opinion, operate unfavourably to the country as regards its trade and commerce.

By Mr. Cassels, Cashier of the Gore Bank.—During the period mentioned trade, generally, in Ontario, was in a sound and satisfactory condition. The harvest of the past year was unquestionably a very satisfactory one, and good prices were obtained for all kinds of farm produce. During the latter part of October the great demand for money occasioned a temporary stringency. This, and the unfavourable state of the English markets, checked operations in produce, and although towards the middle of November the banks were again discounting freely—the demand for produce being restricted—business, generally, for a time, was in a dull and depressed condition. The chief causes of the monetary derangement and consequent depression in business, during the period referred to were the suspension of the Commercial Bank of Canada, for which event the public were not prepared, and the very general feeling of distrust occasioned thereby in the minds of the farmers in the other Banking Institutions in Ontario, and which led to a "run" on several of them. It was asserted at the time that the then existing distrust in the banks was aggravated by the action of the Bank of Montreal, before and after the suspension of the Commercial Bank. This was subsequently refuted, (see Minutes of the Directors,) and it must now be admitted that, but for the timely and liberal aid offered by that bank, the distrust would have extended and produced the most serious consequences. The "Statement of Banks," published in the "Canada Gazette" does not enable me to state the effect produced on the business of the banks in Ontario. But, by comparing the statements of banks in Ontario and Quebec for the months of September, October and November, the following result will be seen:—The September statement shows the notes and bills discounted to amount to \$53,522,981.84; the October statement \$54,560,282.11, being an increase of \$2,037,300.27 in October; the November statement \$52,728,293.09, showing a decrease, as compared with September, of \$799,688.75, and with the October statement of \$2,836,989.02. The largest increase during the period above mentioned was in the notes and bills discounted by the Bank of Montreal, the amount being \$1,304,133.22. Since November there has been a decrease in the aggregate of notes and bills discounted by the banks in Ontario and Quebec.

Several of the banks, I understand, hold Provincial notes under an arrangement which precludes their using them as the equivalent of specie in their ordinary business, but to what extent each bank holds these notes, I am not informed. This Bank (the Gore) agreed to hold a considerable portion of its reserves in Provincial notes, but no agreement was entered into by which the bank was precluded from using them in the ordinary course of business. The amount to be held was not fixed, but since

the arrangement was made with the Bank of Montreal the average has been \$172,902. In October 1866, the Bank of Montreal issued orders, requiring, after a short notice, a settlement at points where each bank had agencies, in specie, or its equivalent, instead of by cheque on the head office of the bank as formerly. On representing to the General Manager of that bank the serious consequences that might ensue, and the loss that would accrue from being under the necessity of retaining a much larger amount of specie, and consequent inability to do the same amount of business as formerly, in the event of the instructions being carried into effect, that officer at once consented to withdraw the orders recently issued. For this concession, the Gore Bank agreed to hold Provincial notes as above stated. The Gore Bank settles for balances with the other banks in Hamilton every day.

The act of last session providing for the issue of Provincial notes has not had, so far as I can see, any effect upon the banking and general interests of the country. The Provincial notes in circulation have merely replaced those of the Bank of Montreal, which have been withdrawn. Commercial crises will occasionally happen under any system of business. Legislation cannot avert the ill consequences of reckless or unsuccessful banking, nor can it provide for safe and prudent management; but, as regards the currency, it is the especial province of the Legislature to place it upon a sure and sound basis. The public will demand this, and it is only right and reasonable that it should be granted. I may here state that the opinion is gaining ground that the currency should be secured by the resources of the Dominion. The present system might be continued with advantage to the banks and to the country, and the object in view attained, by restricting the circulation and compelling the banks to invest a large amount—say one-half—of their capital in Government debentures, these to be lodged with the Government as security for the note holders. There is, however, this serious objection to the adoption of such a plan, viz., that it would compel the banks to reduce their business, which cannot be done without inflicting injury upon the commerce of the country.

(To be continued.)

BANKING AND CURRENCY QUESTIONS.—The following are the questions addressed by the House of Commons committee on banking and currency to bankers and others:—

1. Have you given your attention to the subject of banking and currency?
2. State your views on the banking system obtaining in the late Province of Canada, as well as in the Provinces of Nova Scotia and New Brunswick respectively?
3. Do you favor the system of a direct issue of Government notes as a circulating medium for Canada, or that of having circulation based on Government securities, but issued to the public otherwise than directly by the Government? State what plan or system would, in your opinion, be the best adapted to the wants and interests of the Dominion, and give the outlines of the plan you would recommend. State particularly what per centage of specie, under any system, ought to be retained for purposes of redemption; and if any, what, in proportion to deposits?
4. State what, in your opinion, are the advantages and disadvantages of a direct issue of Government notes, and what those of a system under which banks, organized on a principle analogous to that of the National Banks of the United States, might use a circulation, based on Government securities?
5. Do you consider that the National Bank system of the United States could be introduced with advantage into the Dominion of Canada—if not, give your reasons; if yes, state what modifications of different provisions you would recommend, so as properly to secure the convertibility of their issues, and give due security for deposits?
6. Can you suggest any system, having Government securities as a basis of circulation, which will provide for the necessary expansion or contraction at certain periods of the year, and at the same time make the note circulation of all the banks equal, in point of security?

7. Is the expansion and contraction as sudden and great of late years as formerly, in the Provinces of Ontario and Quebec; and does it vary, and to what extent in Nova Scotia and New Brunswick? If so, at what seasons, and from what causes?

8. Can you suggest any plan by which the existing banks could give the public the security of Government Debentures for their note issues and at the same time carry on a profitable business, if time were allowed to adapt their present operations to such a system, either by increase of capital, gradual redemption of their circulation or otherwise?

9. If the existing banks were deprived of the right to issue notes, except on Government securities, how long, in your opinion, would it take to adopt the necessary steps whereby the present circulation might be redeemed without curtailment of discount accommodation?

10. Do you consider that the present system under which a portion of the circulation of the Dominion is on the direct issue of notes of the Government, viz: Under the Act 29, 30 Vic, Cap 10, of the late Province of Canada, and under the Act, Chapter 39, Revised Act, Title ii, of the Province of Nova Scotia, coupled with the system of independent issues by the banks themselves, is satisfactory in its operation? Do the public prefer the notes of the Government to those of the banks, and are the banks which issue their own notes placed at any disadvantage, and how? State fully your experience of the working and effect of the co-existence of the two systems?

11. Do you consider that the provisions of the existing Bank Charters offer sufficient guarantee in the public interest as regards circulation and deposits? If not, state in what respect you would suggest amendments?

12. Are you of opinion that the provision of making shareholders liable for double the amount of their stock is a necessary one; and are there any, and what difficulties in the way of its being practically enforced?

13. What, in your opinion, is the minimum of capital on which a bank should be chartered; what its maximum; and can you point out any features in any existing charters, whether of the late Province of Canada, or of the Provinces of Nova Scotia or New Brunswick, which are either too restricted or too unguarded?

14. What security exists under the present system that the capital of a bank is actually paid up in cash, and not represented to a greater or less extent by bills discounted or other advances made to stockholders?

15. Would it be desirable, if the present system of independent banks is continued, to limit the paid-up capital, or the number of branches and agencies in proportion to paid-up capital?

16. What amount should a bank be allowed to issue of circulation, in proportion to its capital? Ought there, in your opinion, to be any restriction as to deposits? What proportion of specie and bullion to circulation, and what, if any, to deposits, should a bank be obliged to hold in its vaults, and what limitations would you impose as to the denomination of the circulating notes?

17. Do you consider that the present provisions in the bank charters of Ontario, Quebec, Nova Scotia and New Brunswick, in regard to the direction and management and the scale of voting by shareholders, adequate? If not, suggest such amendments as, in your opinion, it would be advisable to adopt.

18. Do you consider that the statements which the banks in the Provinces of Ontario and Quebec are now required to render, give all the information which the public interests require? If not, state what alteration you would suggest.

19. Has competition in banking led to the practice of paying interest upon deposits at call, or on daily balances, or on deposits payable at short notice? If so, what is the maximum, minimum, and average rate allowed? Have the banks any means of investing such moneys in Canada, so as to be remunerative, at the same time, available at call or on short notice? And do you consider it safe to have banking operations carried on, on such deposits.