

THE CANADIAN BANK ACT.**(First Article.)**

The Bank Act of Canada is regarded, at home and abroad, as one of the best in the world, and particularly adapted for the requirements of the country. In comparison with the National Bank Act of the United States, it is undeniably remarkable, and the fact that the United States, eventually found it necessary to adopt the Federal Reserve system, may be regarded, as a strong justification of the soundness of Canadian banking policy from the outset.

The chief reason for the excellence of the Canadian Banking System lies in the fact, that it is a natural evolution from the requirements of trade, almost unaffected by the partizanship of politics or the mercenary views of impecunious governments. Revisions of the Act have, in past years, been approached with calmness and deliberation.

The first charters of Canadian banks were granted to the Bank of Montreal, the Quebec Bank, and the Bank of Canada, the Royal assent being secured in 1822. These charters show that the Canadian banking system was already well outlined.

The clause restricting the charter to a term of years was inserted, the term being ten years as at present. The officers of the bank, were, as now, required to give bonds. The dividends were not to impair the capital, the government was empowered to call for statements under oath, the banks were forbidden to lend on land or mortgages, though they might acquire them as security for debts contracted in the ordinary course of business. And the banks started out on the principle of branches.

The double liability clause was, however, lacking; there was no limit set to the issue of notes, except that contained in the proviso, that the total debts of the bank should not exceed thrice the paid-up capital plus its deposits. The banks might deal in their own stock.

With the union of provinces in 1841 it was endeavoured to originate a state bank of issue, and to take from the chartered banks all rights to issue notes. The project was defeated, but left in its train the successful proposal to impose a tax upon bank note circulation, this tax remaining in force for many years.

The Bank Act of 1890 finds its prototype almost entirely, in a despatch from the Secretary of State of 4th May, 1840, signed by Lord John Russell. How close the act comes to agreeing with the recommendations may be briefly shown. The amount of capital was to be fixed before beginning business, the entire capital was to be subscribed and the half paid in. A bank might suspend payment for thirty days, and no more, in any one year, without going into liquidation. It might not lend on its own shares; dividends were to be paid out of profits only; the note issue was not to exceed the paid-up capital; and a form of

return, to be made public, was drawn up, the period of publication being yearly or half-yearly instead of monthly as at present. Loans on land, houses, ships, or pledges of merchandise were prohibited.

What is now known as the National Bank Act of the United States was attempted in Canada in 1850, any firm being permitted to issue notes against a deposit with the Government. We refer to this here, because it was in connection with this futile experiment that provision was first made to constitute the bank note a prior lien on the assets.

In 1866, the Government entered the lists as a competitor with the banks. It was designed to prohibit the issue of bank notes and to have the Government supply the currency of the country, a move brought about by the straits of debt in which the Finance Minister found the treasury. It was impossible to carry the proposal to stop the issue of bank notes. The people found them too convenient, so it was endeavoured to induce the banks to abandon their note issue by granting them certain privileges in exchange, including a bonus of 5 per cent. per annum on their circulation as on 30th April, 1866, to the end of their charter if they withdrew their circulation before the first of January.

Sir A. T. Galt and Sir John Ross, when holding the portfolio of finance, endeavored in their day to alter the tendency of Canadian banking and make it conform more closely with that of the United States. The reason was not far to seek, and was the same that led to the development of the National System, a greed for money on the part of the Government. There is no need to go into particulars. It is sufficient to state that these ministers were unsuccessful in their endeavours, and that under Sir Francis Hincks was introduced the first General Bank Act of the Dominion, in 1870. The banks were authorized to come in under this act if they wished, and would have to do so when their charters were out. In 1871, the Act was virtually past again bringing the banks under its operation. The government took from the banks the issue of two and one dollar notes. The minimum of subscribed capital for a new bank was placed at \$500,000. Monthly returns were called for. One provision, now eliminated, was that banks might loan on the security of one another's stock, a provision which was found to work very badly, and was subsequently altered in precisely the opposite sense.

The Act of 1871, the parent Act of Dominion banking, was somewhat amended in 1872, 1873 and 1875, but a real revision did not take place until 1879. Some of our readers will recollect the great expansion of trade between 1867 and 1873, and the frightful years of disaster which succeeded. In the prosperous years banks had sprung up, no fewer than twenty-eight charters being granted between May 1868 and June, 1874. In the