

## THE NEW BANKING LAW.

The following is the Act, as finally passed at the last Session of the Dominion Parliament, entitled: "An Act respecting Banks and Banking," *verbatim et literatim*—

WHEREAS it is important that the provisions of Law respecting Banks and Banking in Canada should be as nearly as practicable uniform, and it is therefore expedient to enact certain clauses and provisions adapted to protect as well the interests of the public as of the shareholders, which may be incorporated into any Act hereafter, to be passed for establishing a New Bank, without its being necessary to repeat them in such Act, and which may in like manner, be adopted as amendments to the Charter of any existing Bank, where such Charter requires to be amended:

Therefore Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. Unless it be otherwise provided in any Act establishing a new Bank, or re-enacting and continuing the Charter of any now existing Bank, the following subsections of this Act, numbered from 1 to 20, and the clauses and provisions therein contained, shall be held to be incorporated with, and to form part of, such Act, as if therein repeated and enacted, subject always to the exceptions and provisions made in the said sub-sections with respect to Banks *en commandite*:

1. The Bank shall not issue notes or commence the business of Banking until two hundred thousand dollars of its Capital shall have been *bond fide* paid up, nor until it shall have obtained from the Treasury Board a certificate that this condition has been complied with; and the Treasury Board shall, before granting such certificate, be satisfied in such manner as may be prescribed by Regulations to be from time to time made by the Board and approved by the Governor in Council, that the said amount of the Capital has been *bond fide* paid up:

2. At least twenty per cent. of the subscribed Capital of the Bank shall be paid up in each year after it shall have commenced the business of Banking:

3. The amount of notes intended for circulation, issued by the Bank and outstanding at any time, shall never exceed the amount of its unimpaired paid up capital, and no such note for a less sum than four dollars shall be issued by the Bank:

4. The Bank shall always receive in payment its own notes at par, at any of its offices, and whether they be made payable there or not; but shall not be bound to redeem them in specie or Dominion Notes, at any place other than where they are made payable. The place or one of the places at which the notes of the Bank shall be made payable, shall always be its chief seat of business.

5. The Bank shall always hold, as nearly as may be practicable, one half of its Cash Reserves in Dominion Notes, and the proportion of such Reserves held in Dominion Notes, shall never be less than one-third thereof:

6. The Bank shall not make loans, or grant discounts on the security of its own Stock, but shall have a privileged lien for any overdue debt on the shares and unpaid dividends of any of its debtors, and may decline to transfer the shares of any such debtor, until such debt is paid:

7. No dividend or bonus shall ever be made so as to impair the paid up Capital Stock, and if any dividend or bonus be so made, the Directors knowingly and willingly concurring therein, shall be jointly and severally liable for the amount thereof, as a debt due by them to the Bank; and if any part of the paid up capital be lost, the Directors shall, if all the subscribed stock be not paid up, forthwith make calls upon the Shareholders sufficient to make good such loss; and such loss, (and the calls if any) shall be mentioned in the Return then next made by the Bank to the Government;

Provided that in any case where the Capital Stock has been impaired as aforesaid, all net profits shall be applied to make good such loss:

8. No division of profits, either by way of dividends, or bonus, or both combined, or in any other way, exceeding the rate of eight per cent. per annum, shall be paid by the Bank, unless, after paying the same, it shall have a rest or reserved fund equal to at least twenty per cent. of its capital, deducting all bad and doubtful debts before calculating the amount of such rest:

9. Any suspension by the Bank of payment of any of its liabilities, as they accrue, in specie or Dominion notes, shall, if it continues for ninety days, constitute the Bank insolvent, and operate a forfeiture of its charter, so far as regards the issue or re-issue of notes and other banking operations and the charter shall remain in force only for the purpose of enabling the Directors, or the Assignee or Assignees or other legal authority, (if any be appointed in such manner as may by law be provided,) to make the calls mentioned in the next following sub-section, and wind up its business; and any such Assignee or Assignees or other legal authority, shall for such purposes have all the powers of the Directors:

10. In the event of the property and assets of the Bank becoming insufficient to pay its debts and liabilities, the Shareholders of the Bank, shall be liable for the deficiency, so far as that each Shareholder shall be so liable to an amount (over and above any amount not paid up on their respective shares) equal to the amount of their shares respectively; and if any suspension of payment in full, in specie or Dominion notes, of all or any of the notes or other liabilities of the Bank, shall continue for six months, the Directors may and shall make calls on such Shareholders to the amount they may deem necessary to pay all the debts and liabilities of the Bank, without waiting for the collection of any debts due to it, or the sale of any of its assets or property; such calls shall be made at intervals of thirty days, and upon notice to be given thirty days at least prior to the day on which such call shall be payable, and any such call shall not exceed twenty per cent. on each share, and payment thereof may be enforced in like manner as for calls on unpaid stock, and the first of such calls should be made within ten days after the expiration of the said six months; and any failure on the part of any Shareholder liable to such call, to pay the same when due, shall operate a forfeiture by such Shareholders of all claim in or to any part of the assets of the Bank, such call and any further call thereafter, being nevertheless recoverable from him, as if no such forfeiture had been incurred: Provided that if the Bank be *en commandite* and the principal partners are personally liable, then, in case of any such suspension, such liability shall at once accrue and may be enforced against such principal partners, without waiting for any sale or discussion of the property or assets of the Bank, or other preliminary proceedings whatever, and the provision respecting calls shall not apply to such Bank:

11. Persons who, having been Shareholders in the Bank, have only transferred their shares or any of them to others, or registered the transfer thereof, within one month before the commencement of the suspension of payment by the Bank, shall be liable to calls on such shares under the next preceding sub-section as if they had not transferred them, saving their recourse against those to whom they were transferred; and any Director, refusing to make or enforce, or to concur in making or enforcing any such call, shall be deemed guilty of a misdemeanor, and shall be personally responsible for any damages suffered by such default and any assignee, or other officer, or person appointed to wind up the affairs of the Bank in case of its insolvency, shall have the powers of the Directors with respect to such calls: Provided that if the Bank be *en commandite*, the liabilities of the principal partners and of the *commanditaires* shall continue for such time after

their ceasing to be such, as is or may be provided in the charter of the Bank; and the foregoing provisions, with respect to the transfer of shares or to calls, shall not apply to such Bank:

12. The Bank shall be subject to such provisions of any general or special winding-up Act to be passed by Parliament as may be declared to apply to Banks; and no special Act which Parliament may deem it right to pass for winding up the affairs of the Bank, in case of its insolvency, shall be deemed an infringement of its rights or of the privileges conferred by its Charter.

13. Each Shareholder in the Bank shall, on all occasions on which the votes of the Shareholders are to be taken, have one vote for each share held by him for at least three months before the time of voting. Shareholders may vote by proxy, but no person but a Shareholder shall be permitted to vote or act as such proxy; and no Manager, Cashier, Bank Clerk, or other subordinate officer of the Bank, shall either vote in person or by proxy, or hold a proxy for that purpose:

14. The Shareholders in the Bank shall have power to regulate by by-law, the following matters incident to the management and administration of the affairs of the Bank, viz: The qualification and number of the Directors, which shall not be less than five, nor more than ten;—the method of filling up vacancies in the Board of Directors, whenever the same may occur during each year; and the remuneration of the President, Vice-President and other Directors; but no Director shall hold less than three thousand dollars of the stock of the Bank, when the paid-up capital thereof is one million of dollars or less;—or less than four thousand dollars of stock, when the paid-up capital thereof is over one million, and does not exceed three millions,—nor less than five thousand dollars of stock, when the paid-up capital thereof exceeds three millions: the Directors shall be elected annually by the Shareholders, and shall be eligible for re-election. Provided that the foregoing provisions touching Directors, shall not apply to a Bank *en commandite*, which shall in these matters be governed by the provisions of its Charter. The Shareholders (or if the Bank be *en commandite*, the principal partners) may regulate, by by-law, the amount of discounts or loans which may be made to Directors, (or if the Bank be *en commandite*, to the principal partners,) either jointly or severally, or to any one firm or person, or to any shareholder, or to corporations; provided always, that the aggregate amount of discounts and advances, made by the Bank upon commercial paper or securities to any Director, or any firm of which a Director is a partner, (or if the Bank be *en commandite* to any principal partner or any firm in which a principal partner in the Bank is a partner) shall never, at any one time, exceed one-twentieth of the total amount of the discounts and advances made by the Bank at the same time:

15. Certified lists of the Shareholders, (or of the principal partners if the Bank be *en commandite*), with their additions and residences, and the number of shares they respectively hold, shall be laid before Parliament every year, within fifteen days after the opening of the Session:

16. The monthly returns to be made by the Bank to the Government shall be in the following form, and shall be made up on the first juridical day of each month, and shall exhibit the condition of the Bank on the last juridical day of the month preceding; and such monthly returns shall be signed by the President, or the Director (or if the Bank be *en commandite*, the principal partner), then acting as President, and by the Cashier, or other principal officer of the Bank at its chief seat of business:

| RETURN of the amount of Liabilities and Assets of the Bank, on the day of |                        |                     |
|---------------------------------------------------------------------------|------------------------|---------------------|
| A.D. 18                                                                   |                        |                     |
| CAPITAL AUTHORIZED, \$                                                    | CAPITAL SUBSCRIBED, \$ | CAPITAL PAID UP, \$ |