

narrow-gauge traffic, 50 Blue Line Freight cars have been placed on the line since the issue of last half-year's Report, and 4 first-class Passenger cars (making 6 in all) have been converted from broad to narrow gauge.

It will be seen in the Mechanical Superintendent's Report that 3 new freight engines have been constructed out of Revenue, and set to work during the half-year, and to replace the same number of an inferior class of passenger engines, and two others are in a forward state.

10. The Finance Minister of the Government of Canada has lately brought to the notice of the Directors the position of the provincial aid afforded by the late Province of Canada to this Company. In 1861, a petition approved by the Shareholders, was presented to the Legislature of the Province of Canada, praying for the relief to be granted to the Great Western that had been conceded to the other Canadian Companies; and the Directors feel they are justified in expecting that the Government will give the whole subject their favorable consideration, and with this conviction they are now in communication with the Finance Minister.

11. At the last half-yearly meeting, on October 9th, 1867, the traffic agreement with the Grand Trunk Company, dated June 12th, 1867, was approved by resolution of the proprietors. It is now proposed to modify the agreement to this extent, that by six months notice, mutually operative, either party may absolutely determine and put an end to the same. A resolution with this intention will be submitted to the General Meeting, on April 8th next.

12. The gross earnings of the Detroit and Milwaukee for the year ending December 31st, 1867, were..... £361,912 12 7
And the working expenses amounted to..... 203,942 5 7

Leaving a net revenue..... £157,970 7 0
Which is applicable to interest on bonds, capital expenditure, Detroit fire claims, and other items.

Signed on behalf of the Board of Directors,
THOMAS DAKIN,
President.

London, March 28th, 1868.

ST. LAWRENCE NAVIGATION CO.—At a meeting of the Board of Directors of the St. Lawrence Navigation Co., held on the 25th inst., Messrs. Robillard and McMartin having offered their resignation as Directors, Messrs. H. Cotte and J. Bte. Auger were elected in their stead. Messrs. Hugh McLellan, T. Rimmer, and J. Bte. Auger were also elected managers for the present year. It was decided that the steamer *L. Renaud* should commence her regular trips on Thursday, between Montreal and Cornwall, stopping at all intermediate ports.

Financial.

THE LATE FINANCIAL CRISIS.—Answers of Mr. Vezina, Banque Nationale.—(Continued.)

It is very difficult to present the regular or irregular crisis which happens everywhere at certain periods, and which must necessarily take place in consequence either of the construction or of the displacement of circulation, or owing to political causes. And the Government, in its wisdom, will never be able to stop a crisis like that created by the suspension of the Bank of Upper Canada and the Commercial Bank, when institutions of the same kind shall exceed in a similar manner the limits prescribed to them by law, and disregard its requirements, enacted for their protection. Nevertheless, the Legislature may, so far as it is practically possible to do so, obviate the frequent repetition of such crises as those of which we had to deplore the sad effects, by amending our present laws—regulating the system of currency and banking—as to provide for something like the following things, namely:—1st. *Bona fide* subscription of not less than a million dollars. 2nd. That the shareholders be solvent, so that their double liability may be easily enforced, in case of need, in a legal manner. 3rd. Above all, that the Directors be solvent, and that their qualification be in proportion to the importance of the affairs of the institution they are called upon to conduct. 4th. That a reserve fund in

due proportion to the capital be created of which one-tenth should be invested in Government debentures. 5th. That there be a specie reserve equal to about one-fourth of the amount of the notes in circulation, and one-seventh of the amount of deposits. 6th. That there be a periodical inspection either of the organization of the banks or of their daily action, or of the preparation and publication of their financial statements. 7th. That there be as equal a distribution as possible of the public funds between the monetary institutions of the different localities, in order that the means of accommodation to trade be not lessened at any time by the collection of duties. 8th. Lastly, that the currency be so arranged as to facilitate the redemption of notes in circulation and the repayment of deposits. Because Banks of Issues spread all over the country, always adapting themselves better to the wants of trade and commerce than a single bank or state bank, the management of those establishments will be more active, more able, and more free than that of branches of a state bank, and it will always have a tendency to adapt the rules of each bank to the usages of the locality in which it is established.

By Mr. Paton, General Manager of the Bank of British North America.—Trade generally was not satisfactory between 1st September and 15th October. Importations, especially of dry goods, were in excess, and a serious fall in the prices of dry goods had taken place. Speculators in breadstuffs had lost heavily, and the demand for manufactured lumber from the United States had almost ceased, leaving a large stock of that article in the manufacturers' hands, or stored in the United States. The farmers were on the whole prosperous, the high prices obtained by them for wheat and barley, and the superior quality of the grain compensating them for the unexpected shortcoming in the yield, which, in many districts, was not an average one. From the 15th Oct. to the middle of Nov. there was much depression in trade, and in some quarters considerable financial embarrassment. The failure of the Commercial Bank, the sudden withdrawal of banking facilities from its numerous customers, and the disturbance in the financial arrangements of those having accounts with that bank, or holding its notes, were causes in themselves sufficient to produce much depression in the business of the country and great monetary derangement. These causes were aggravated by the failure of several commercial firms, by the fall of breadstuffs in England, and more especially by the temporary excitement produced by the suspension of the Commercial Bank, resulting in a run on some of the banks in Ontario, whose liabilities were disproportioned to their available resources, and who, in self-defence, and as a measure of precaution, required to curtail their discounts and increase their assets. The excitement was allayed by the banks meeting the run upon them, and also by the action of the Government in publicly announcing that the notes of all the banks in the Province, with the exception of those of the Bank of Upper Canada and the Commercial Bank, would be received in payment of duties. The effects produced upon the banks in Ontario have been salutary. Larger reserves are now deemed necessary, and greater discretion is exercised in making loans. The discounts of the banks between 31st October and 30th November were considerably reduced. The deposits of the banks, between the 31st October and 30th November, as appearing from their public statement, was very little changed, but their circulation was reduced. There is a great depression in nearly every department of trade, but I do not think that this ought to be altogether attributed to the failure of the Commercial Bank. The principal causes are excessive importations and depression in one of the principal branches of trade, viz., that of manufactured lumber. The effect of the so-called crisis may not be altogether injurious, as it will check importations for 1868, induce greater caution in business transactions, and probably greater circumspection in the management of the Banking Institutions of the Province.

Not less than one-third of immediate liabilities ought to be held in specie and Legal

Tender notes. This is the proportion of specie returned against Circulation and Current Deposit Accounts by the Bank of British North America, in addition to a large reserve in New York, available at any time when required. In consequence of the excitement caused by the failure of the Commercial Bank, the Bank of British North America considered it necessary to increase the specie reserve to an amount equal to about one-half of its immediate liabilities. All the banks in Canada with the exception of the Bank of British North America, are required by their charters to hold an amount equal to one-tenth their capital in Provincial Debentures. The Bank of British North America requires only to hold in Provincial Debentures an amount equal to its small note circulation, which at present is \$112,089, but the bank holds now \$867,440, and has held for many years a much larger sum in Provincial Debentures, equal to about one-sixth of its capital. The Bank of British North America, under an arrangement with the Fiscal Agents of the Government, holds \$200,000 in Legal Tender notes, as part of its reserve, and as the equivalent in specie, and these notes are at all times if required available for ordinary business transactions; but it has been agreed that if so used an equal amount shall be obtained from the agents within twenty-four hours, and paid for as may be arranged, either by exchange, gold drafts on New York, or Specie. This arrangement was entered into because it was agreeable to Government, because it facilitated the settlement of balances throughout Canada, with the Financial Agents of the Government, and because it was neither an inconvenience nor a loss to the bank. The arrangement can be terminated by either bank giving seven days' notice. The Bank of British North America adjusts its balances with all the banks in Montreal by a daily settlement in gold or legal tender notes. At its branches in Ontario and at Quebec settlements are made daily with banks whose head offices are in Montreal, by the branches giving or receiving settlement cheques, payable on demand in Montreal. In Toronto, Hamilton, and Quebec the branches settle daily in specie or legal tender notes with banks whose head offices are in these places. With branches of these banks, this bank settles daily by giving or receiving cheques in Toronto, Hamilton, Montreal or Quebec, in accordance with arrangements entered into to meet the convenience of the respective banks. I do not consider that the Legal Tender Act of last session has had any other effect on the banking and general interest of the country than that of re-placing the circulation of the Bank of Montreal, which is being withdrawn by a like amount of Legal Tender Notes, and of giving the Government the use of four-fifths of the amount of the circulation of these notes. It merely involves the substitution of Government notes for the circulation of the Bank of Montreal.

The Government, by granting charters only to banks with sufficient paid-up capital, say not less than \$1,000,000, by taking measures to ascertain that the capital has been paid up before the bank commences business, by limiting the number of branches in proportion to the paid-up capital, by restricting the amount of liabilities in proportion to paid-up capital, the specie, and Government securities held, and by requiring the specie reserves to be maintained in prudent proportion to the liabilities of each bank, may aid greatly in giving the country a sound system of banking, and one adapted to its trade and commerce, but no Government legislation can prevent the recurrence of such events as have unhappily taken place within the past two years in Canada, viz., the failure of the Bank of Upper Canada and of the Commercial Bank. Such events can only be prevented by the circumspect, cautious and intelligent management of those who have the direction and charge of the banking institutions of the country.

By Mr. Arnold, Cashier of the Niagara District Bank.—In the country banks experience has proved that a steadier proportion of the lines of deposits and circulation may be relied on than in cities; consequently a smaller reserve of specie is required in the latter. From