

in trifling sums) and as a bank dare not refuse payment in specie or Dominion notes, unless it intends to go into liquidation, it follows that the notes are convertible on demand into gold or into that for which gold can be at once obtained, if desired. Section 55, of the Act of 1890, provides that each bank shall make such arrangements as are necessary to ensure the circulation at par in any and every part of Canada of all notes issued by it, and that towards this purpose the bank shall establish agencies for the redemption and payment of its notes at Halifax, St. John, Charlottetown, Montreal, Toronto, Winnipeg and Victoria and at such other places as are from time to time designated by the Treasury Board. These arrangements have been made and the result is that no matter where a note may be payable on its face it must be redeemed, or in other words converted into specie, at a convenient place in the various Provinces of Canada, if presented for that purpose. Before these arrangements were made compulsory, some banks in the far west charged to the holder of a note payable in the far East a commission or collection charge upon it, and some banks in the far East returned the compliment to the far West, but now nothing of the kind takes place and so long as a bank continues to do business with open doors its notes are readily convertible into specie all over Canada. In what I have so far said on this head, I have assumed that the conversion would be by the issuing bank direct to the holder seeking the specie, but as a matter of fact and practice the holder need not go to the issuing bank itself, for any bank with which he does business will accept as cash on deposit or in payment of liabilities the notes of any other bank and will, unless the circumstances be special, even give gold for them, thus making them in fact readily convertible.

I will explain under the next head how a bank receiving the notes of another bank usually deals with them. What I have said shows, I think, that the Canadian banking system has created a currency readily convertible into specie.

### Volume of Circulation is Elastic

Does it answer in volume to the requirements of trade?

So far it undoubtedly has done so, and so long as the paid up capitals of our banks are large enough in the total to enable the banks to issue in the total all the notes which the requirements