

bank should not exceed thrice the paid-up capital plus its deposits. The banks might deal in their own stock.

With the Union of the provinces in 1841 it was endeavored 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 present bank act 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 present Act comes to agreeing with these 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 sixty 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 merchandize 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 endeavored to induce the banks to abandon their note issue by granting them certain privileges in exchange, including a bonus of five 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 1st 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 as led to the development of the National system, 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 endeavors, 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 passed 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.

Most 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 years of disaster the banks were not spared, and the Bank Act was tested most thoroughly, resulting in two important amendments, one making the bank note a first lien upon the assets, and the other providing for the sale of real estate not being bank premises within seven years of its acquisition. The wisdom of this proviso, coupled with the provision that banks should not deal in real estate, but merely take it when necessary in payment of a debt, was shown by the fact that it was the absence of just such provisions in the Australian charters which led to the frightful disasters there a few years ago.

The Act which is now expiring was passed in 1890, and the preceding year was devoted largely to a discussion of the needed reforms, particularly in connection with the note circulation. The continued expansion of internal trade throughout the Dominion rendered unbearable the discount to which bank notes were subject at a distance from their place of issue, made it very necessary that they should be redeemable at par at least at the leading centres, and the lessons of bank failures led to the demand for some machinery which would prevent bank notes dropping to a discount in the event of a failure, the discount being caused not by especial doubt as to the ability of the bank to redeem the notes ultimately, but by the delay in redemption.

Hence the Act of 1890 provided for the Bank Circulation redemption fund, for the addition of 6 per cent. to the face value of the notes of a failed bank between suspension and redemption, and for the redemption of the notes of any and all banks on demand at the leading cities of the Dominion. And while previous acts had authorized banks to take over their own stock from defaulting debtors, the Act of 1890 provided that stock so taken over is to be disposed of within one year. An important change was also made in the clauses relating to loans on warehouse receipts, etc., it being made legal to take such a receipt from a merchant, on his own goods in his own premises, a decided advance upon previous practice, and greatly in