

Thomas of the Molsons Bank, that it would be desirable to form a permanent association for the furtherance of our mutual interests. The idea was received with favor, and shortly afterwards we began to confer as to the basis on which it should be formed. We found it a difficult subject. The first difficulty was to settle the question, who should be members? After much discussion and correspondence, it was finally agreed that the membership should consist of the banks, as corporations, each to act by its principal Executive Officer, whether he were called president, general manager, or cashier. On this basis, the government of the Association was to rest. But it was provided that a class of associate members should be formed, composed of all bank officers who desired to join and would pay a small subscription. This arrangement of the membership has worked exceedingly well. Another question was as to what powers the Association should exercise over its own members. Discussion had not proceeded far, however, on this head, when it became clear to us all that of actual power, the Association could exercise none at all. It was, however, felt that it would be reasonable, in the case of any bank departing unduly from the rules of safe banking, that the matter might be discussed in some confidential committee of the Association, and a friendly intimation in the general interest conveyed to the bank concerned. This was, however, a matter of extreme delicacy, and I am not sure that it has ever been acted upon.

Of this Association I was elected the first President, the position having been naturally offered to Mr. E. S. Clouston, General Manager of the Bank of Montreal, who declined to accept it. Subsequently, however, he accepted the position and has held it ever since.

RENEWAL OF BANK CHARTERS AND THE SECURING OF CIRCULATION BY A FIRST LIEN ON ASSETS, AND REDEMPTION FUND.

When the bank charters were up for renewal in 1880-81 the Finance Minister again brought forward the proposal that we should cover our circulation by Government securities. There had been several bank failures not long before which gave weight to the proposal. As had been the case before, the general managers of the banks had met in conference at Ottawa with a view to consider whether any changes in the Banking Act were desirable. The idea had been mooted by some of us that the best possible security for the notes would be to make them a first charge on all the assets of banks, including the double liability of stockholders. It was perfectly reasonable that they should be so, inasmuch as holders of notes were involuntary creditors. The proposal to cover by Government securities met with strenuous opposition, especially from the Western Banks, and in conference with the Finance Minister we argued the matter at considerable length. Sir Leonard Tilley asked me to state the case for the banks, which I did, drawing on the experience of 1868-1871. The Government finally did not press the matter, but adopted our