

Appendix
(Z. Z.)

28th July.

with circumstances; but they believe that it is generally admitted that on an average, a reserve of specie equal to one third of the circulation, is as much as a prudent banker would, in ordinary circumstances, think it necessary to maintain; and the Imperial Parliament appears to have been influenced by that impression when the law of 1844 was passed, by which, on any Country Bank relinquishing its privilege of issue, the Bank of England is empowered to increase its issue of notes by an amount equaling two-thirds of the authorized circulation of such Country Bank.

Impressed with these views, my Lords would strongly urge upon the Canadian Government the policy of introducing amendments into the Act for establishing Freedom of Banking, for the purpose of securing the constant maintenance of a reserve of specie in the banks, availing themselves of the privileges conferred by the Act, never less in amount than one-third of the notes actually in circulation, and the publication of returns of their assets and liabilities, verified in such way as the Government may direct, at least once in every month.

In making these suggestions, my Lords have no wish to interfere with the general management of the concerns of Canada, which has now the advantage of a responsible Government; but on the other hand, they could not reconcile it to themselves to withhold from that Government, the result of that wider experience which, after many trials and difficulties, has been obtained in this Country, of the effect of entrusting the circulation to competing Banks without adequate controul. My Lords must also remind the Government of Canada, that while that Province is under obligation to the Mother Coun-

try for the loans which have been raised under its guarantee for the purpose of promoting Canadian interests, Her Majesty's Government, as representing this country, has a claim to require that no measure should be passed which may in its results have an effect on the public credit of Canada, and thus possibly interfere with the arrangements for the repayment of those loans: and that, in that view, it is no less their interest than their duty to warn the Canadian Government of the consequences which they may apprehend from legislation of the character now before this Board.

There are other provisions in the Act in question, the reconciliation of which, by the Canadian Government, would be satisfactory to my Lords. The principal of these are the very low amount fixed for the shares in Banking Companies, which may have the effect of creating irresponsible bodies of proprietors, and the extension of the \$5 note circulation, without even that limitation which is imposed in the case of the existing Incorporated Banks. My Lords, will, however, only further observe with reference to the latter point, that when the circulation consists in great measure of Bank Notes of a very low denomination, the danger resulting from improvident issues would be greatly aggravated, and that the further extension of issues of this description affords an additional argument in favour of the restrictions on the management of the Banks which my Lords have suggested.

I have, &c.,

(Signed)

C. E. TREVELYAN.

H. Merivale, Esq.,

&c, &c., &c.

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