

considerable light upon the relation of the Bank of Montreal to Government payments about this time. It appears that, in providing funds for military purposes within the colony, Turquand had an arrangement with the Bank of Montreal, whereby he drew bills upon the Treasury in Britain and transferred them to the bank at something of a premium. Upon the bank, in turn, he either drew cheques himself or transferred the right to do so to others, in this case to Governor Maitland who drew upon the bank in payment for his military supplies. These drafts were of course paid by the bank in its own notes. Thus the net result of the transaction was that the Bank of Montreal purchased bills on the British Treasury with its own notes, and then sold its own exchanges on London at a considerable premium to merchants in Canada or the United States.

A letter to the *Kingston Chronicle*, of the same year, declares it to be well known that the specie which comes to Kingston for the payment of the troops, etc., is not put into circulation, but is paid over to the agent of the bank (Montreal) who issues the bank's notes and sends the specie back to Lower Canada in the very cases in which it arrived. Some five years later, Commissary General Routh states that the contractors on the Rideau Canal and elsewhere, instead of receiving cash, take a draft on Montreal, payable in dollars, and they dispose of this at a premium for bank notes, with which they pay their men and obtain supplies.

At the time of inaugurating the new currency scheme it was still one of the anomalies of Canadian public finance that duties were levied on imports to Canada by both Imperial and Provincial statutes. The Imperial statute was 14, Geo. III., cap. 88 (1774), and the duties exacted under it were required to be paid in sterling, whereas the Provincial duties were collected in Halifax currency. Up to 1825 the sterling rating of the dollar had been 4s. 6d. But, on the basis of the new British coinage, it was accepted at 4s. 9½d. after 1816. Then, in accordance with the last move, it was reduced in 1827 to 4s. 4d. This had the effect of considerably raising the duty for Canadian importers when they paid, as they commonly did, in dollars or other coins rated on that basis. The Canadian merchants considered the action of the Treasury Board as illegal