

viewed the advent of central banking with considerable mistrust, possibly owing to a failure to appreciate the part which a central bank is designed to play, and to apprehensions as to the extent of its disturbance of the existing banking system. The first years of its operation were thus rendered more difficult by the lack to some extent of cooperation on the part of the commercial banks but in recent years there has been a growing appreciation of the advantages of central banking leadership and control, and the central banks in these two countries have now obtained both the goodwill and the cooperation of the commercial banks.

Coming to the main features of the bill itself, I shall indicate them as briefly as possible. As at present proposed the bank of Canada is to be a privately-owned institution, the chief officers and directors of which initially are to be appointed by the governor in council. Several provisions have been included which are designed to remove the fear that a privately-owned institution might come under the control of bankers or other financial interests. In other words, the endeavour has been made to retain the advantages of private ownership without its disadvantages. Thus, the Bank of Canada, though privately owned, will operate as a public trust. Profits are definitely limited to 6 per cent upon a small capital. Adequate powers are given to the bank to perform the functions which I have described as appropriate for a central bank. Thus it is to have power to buy and sell gold and silver, bills of exchange and promissory notes, and certain stipulated kinds of securities. It may also rediscount bills and notes, make loans and advances to the banks and to the dominion and provincial governments, and accept non-interest-bearing deposits. In addition, it is intended that the bank shall eventually possess the sole right of note issue. Against its notes and deposits a reserve of at least twenty-five per cent is to be held. The legal reserves of the chartered banks will in future be held, in part at least, with the central institution.

It will be obvious at once to those familiar with the Macmillan report that the suggestions contained therein have been closely followed. That document has provided the foundation and largely the material of the structure. The task of the government has been to implement and where necessary to supplement rather than to create outright. In this the aim has been to provide Canada with a central bank best suited to our own particular needs.

It is proposed that the capital of the bank shall be \$5,000,000. This amount was regarded as adequate by the Macmillan commission. In the determination of this figure it was borne in mind that dividend obligations to stock-

holders should be as light as possible. The management should be free to perform its public functions without regard to the necessity of making profits. Provision is made for increasing the capital from time to time, if occasion should demand it.

Shares, which are to be of \$100 par value, may be held only by British subjects ordinarily resident in Canada or by Canadian corporations. The chartered banks are to be strictly prohibited from holding shares directly or indirectly, as are also bank directors, officers and employees.

In order to secure a wide distribution of ownership, not more than fifty shares—\$5,000—may be held by or for the benefit of any one person other than the Minister of Finance.

Dividends to shareholders may not exceed six per cent. Profits in excess of this and after reasonable provision has been made for reserve and other purposes are to be paid into the consolidated fund. Thus it is to be noted that, although private ownership is contemplated, the bank is not to be a "profit making" institution. This feature sharply distinguishes the bank from the ordinary business or commercial enterprise and is designed to enable the bank to pursue its legitimate ends, unhampered on the one hand by the urge to make profits and on the other by undue political interference.

The initial appointments of governor, deputy governor, and assistant deputy governor are to be made by the governor in council. The term of office of these executives of the bank is seven years. They are eligible for reappointment. Subsequent appointment of these officers is to be made by the directors with the approval of the governor in council.

Likewise, the first directors are to be appointed by the governor in council. Thereafter they are to be elected by the shareholders and are to be eligible for reappointment for terms of five years. The original directors retire in rotation as follows:

1. After the 3rd annual meeting;
2. After the 4th annual meeting;
2. After the 5th annual meeting;
2. After the 6th annual meeting.

The question of control is important. Broadly stated, the problem in this connection is that of creating an institution which shall be devoted to the public interest but which shall not be subject to the exigencies of politics in the narrower sense of the word. The services of the bank should obviously be at the disposal of the government, particularly in times of severe crisis and emergency. Clearly, however, the bank should not be subject to dictation by the government, for at