adopted which in its main features has continued to be the banking law of Canada to this day.*

Bankruptcy.

The manner in which debtors that are i vent, or supposed to be so, can settle with their creditors, is a matter of vital importance to bankers, inasmuch as a large part of their assets consists of the personal obligations of persons engaged in business, some of whom from time to time may find themselves unable to discharge those obligations. At one period of the author's experience in Canada, the Bankruptcy Law was of such a nature, and so administered, as to form a positive temptation to traders in temporary embarrassment.

The times that were passing over the country were such as to make trading difficult, and as one insolvency almost invariably gives rise to others, the number and amount of yearly insolvencies rose to amounts far beyond the average. It is vain to expect that at any time, even the most prosperous, trading can be conducted without insolvencies at all, but there is a law of average in this matter as in others, and the fluctuations of insolvencies reflect very fairly the conditions of trade at any particular period. At the period spoken of insolvencies were so numerous as to become a constant source of anxiety to all the banks of the country, and the evil was being constantly aggravated by the development of a class of insolvency agents who made it their business to assist insolvents to obtain settlements under the Act; and many of whom became, almost in spite of themselves, promoters of insolvency. The Bankruptcy Act of Canada, at that time, was looked upon by most bankers as really calculated to promote insolvency rather than otherwise. In these circumstances both bankers and all the large traders who gave credit to customers were quite willing to allow the act to expire, by effluxion of time, and rather to endure the evils of having no bankruptcy law at all, than face the pos-

* During these discussions several proposals were made by the banks to the Government with a view to further securing their note issues. Of these the most important was that all such issues should form a preferential charge upon the whole assets of the issuing bank, including the double liability of stockholders. This they contended was just and equitable, inasmuch as noteholders are involuntary creditors.

The other proposal was that a Redemption Fund should be created by pro rata contributions from the banks, which fund, if impaired, should be made up by further contributions. Some bankers considered this fund to be unnecessary, as the privileged lien, in their opinion, would be amply sufficient. They were willing, however, to fall in with the idea of a redemption fund, as it would make assurance doubly sure. Both these proposals were adopted by Parliament. Experience, however, has demonstrated that the privileged lien was sufficient; for although there have been several bad failures since the fund was created, arising from fraud or serious mismanagement, the assets have never failed to redeem the notes with sufficient promptitude to prevent necessity for calling upon the fund. It therefore remains intact to this day.

It only remains to be stated that the whole business of issuing, redeeming and destroying notes in Canada has been placed under the supervision of the Bankers' Association, which was created a Corporation for the purpose.