

in case a bank's assets are insufficient to meet its liabilities, a call or calls may be made on the stockholders to the extent of their holdings of stock to meet the deficiency.

ANNUAL STATEMENTS.

One most important feature in the Canadian banking system is the regulation that, at each annual meeting the directors must submit a clear and full statement of the bank's affairs, detailing the amount of stock paid in, the circulation, the deposits, the cash held, the value of real and other property owned, the amounts due on bills of exchange, discounted notes, mortgages and other securities, also the liabilities classified in detail with a statement of reserved profits, of over-due debts, etc. The books, correspondence and funds of a bank are, at all times, open to inspection by directors, but no person, not a director, is allowed to inspect the account of any customer of a bank.

DIVIDENDS AND CASH RESERVES.

Dividends are to be paid quarterly or half-yearly, but by no dividend or bonus must the capital be impaired, and if any such dividend is paid the directors are jointly and severally liable for the amount as a debt due by them to the bank. Profits must be applied to restoring impaired capital.

Banks must hold not less than 40 per cent. of their cash reserves in Dominion notes, under a penalty of \$500 for default. The Minister of Finance is bound to arrange for the delivery of Dominion notes to any bank in exchange for specie in the cities of Montreal, Toronto, Halifax, St. John, N.B., Winnipeg, Charlottetown and Victoria, and such notes are redeemable at the office for redemption of Dominion notes in the places where such specie is given in exchange.

A BANK'S BUSINESS DEFINED.

Each bank may open branches, deal in gold, and silver coin and bullion, discount bills, lend money on bills of exchange, promissory notes, and other negotiable securities, or the stocks, bonds and obligations of municipal and other corporations, or Dominion Provincial, British, foreign and other public securities and do generally a banking business. But a bank cannot buy, sell or barter merchandise, or engage in any other trade or business, or lend on its own stock, or stock of any bank, or lend on mortgage, or hypothecation of land, tenements, or immovable property, or on ships, or vessels, but it may hold and for its own use, and may take mortgages, etc., as collateral security, and acquire lands, etc., offered for sale under execution belonging to one of its debtors. A bank may also acquire an absolute title to lands, etc., through a foreclosure, or obtaining a release of the

equity of redemption in mortgaged property. Money advanced in aid of ship-building may be secured by a mortgage, or hypothecation on a vessel.

A bank may hold a warehouse receipt or bill of lading as collateral security, and acquire a right and title to the property designated therein. Loans may be secured also by the goods of a wholesale manufacturer, or wholesale purchaser or shipper of products of agriculture, the forest, mine, sea, lakes, or rivers, or by live or dead stock on which advances have been made. The law regarding such securities is very strict, and the intention is evidently to prevent a bank from engaging in or becoming unduly involved in mercantile business.

NOTE ISSUES.

The banks have power to issue notes payable to bearer on demand (but for no sum less than \$5), but the total amount must not exceed the amount of the unimpaired capital of the issuing bank, and such notes are a first charge upon the bank in case of its insolvency, any debts due to the Federal or Provincial Governments being a second charge. A further protection to the holders of notes issued by a Canadian bank is the deposit by each bank of an amount equal to 5 per cent. of the average amount of its notes in a given period. This deposit is called "The Bank Circulation Redemption Fund," and is available towards redeeming the unpaid notes of an insolvent bank, and interest thereon at 6 per cent. from the day the bank suspends until the day announced for their redemption. This fund is available without regard to the amount contributed by the bank in respect to whose notes the payments are made. Provision is made for adjusting the contributions of each bank in case the payments from the fund exceed the amount contributed by the bank whose notes have not been duly honoured.

Arrangements exist for ensuring the payment at par of the notes of any bank in Canada at Montreal, Toronto, Victoria, Halifax, St. John, N.B., Winnipeg and Charlottetown, and every office of a bank must receive its own notes at par. When so requested a bank must pay any sum up to \$100 in Dominion notes.

(To be continued in our next issue.)

A LOCOMOTIVE FACTORY FOR MONTREAL.—A company is stated to have organized to construct locomotives, which will erect its works at Longue Pointe, a short distance east of this city. This industry cannot be profitably conducted on a small scale, it is therefore probable that from 500 to 600 hands will be employed when the works are in running order. Such an addition to our local enterprises will be hailed with the liveliest gratification. If the factory is successful it will add several thousands to the population of the city and suburbs.