

reasons which will be explained in due time, events in the two Canadas and in the late Province of Canada are facts more essential to a right understanding of what may be called the national era of Canadian banking legislation, than the course of affairs in the maritime provinces of Nova Scotia and New Brunswick. So while significant phenomena in the latter colonies should not be neglected, the earlier inquiry must be mainly directed to the development of banking legislation in the Canadian provinces. The study will therefore be rightly entitled what it is, as well in its first part, as in the last.

Canadian banking, both in the earlier periods of its growth and the present stages, has often been compared to Scotch banking. The analogy is better, no doubt, than that between Canadian banking and the few other systems, the statutory regulation of which, while establishing safeguards, has not hampered the prosecution of banking business in all its branches. It is peculiarly true of the Scotch banks that, untrammelled by restrictions and unexploited by government, they acquired what are still their distinguishing characteristics, in the exercise of all the functions which, according to the Anglo-Saxon idea, belong to banking. The three great conditions of their development were freedom, competition, and the necessity promptly to perform banking contracts. The result was a system of banking whose principal features were the small number of banks, their large capitals, establishment and operation of branch banks, competitive issue of notes on the general credit of parent banks, payment of interest on deposits, and regular, frequent conduct of exchanges