

THE BANKING SYSTEM OF CANADA.

A SKETCH OF THE CANADIAN BANKING SYSTEM
ESPECIALLY PREPARED BY "THE CHRONICLE."

To give a complete description of the banking system of this Dominion would require a treatise of considerable length. Such a work would comprise a historical statement of the growth of banking in this country, a résumé of the legislation relating to banks, extended references to discussions in and out of Parliament, of conferences between bankers and the Government on several occasions when changes in the banking laws were under consideration, and to render it complete it would be needful to give the Bank Act and other acts in full which have a direct relation to the business. A sketch, however, of our banking system, though lacking in detail, will give a general idea of the powers and privileges it confers, and the liabilities and limitations it imposes upon the organizations known as Chartered Banks in Canada.

ORGANIZATION.

The banks are joint stock. The preliminary steps for obtaining incorporation are similar to those usually required for trading associations based upon stock capital. The capital stock of a new bank must be not less than \$500,000 divided into shares of \$100 each. So soon as a sum not less than \$500,000 has been *bona fide* subscribed and a sum not less than \$250,000 thereof has been paid to the Minister of Finance, the provisional directors may, by public notice, published for at least four weeks, call a meeting of the subscribers to the said stock to be held in the place named in the act of incorporation as the chief place of business of the bank as stated in the notice. At such meeting the subscribers shall fix the date of the annual general meeting and shall elect directors who shall hold office until the annual meeting the year next succeeding their election, after which the functions of the provisional directors shall cease.

The bank shall not issue notes or commence business until it has received a permissive certificate from the Treasury Board, and such certificate shall not be given until the Bank Act and Act of Incorporation have been fully complied with as regards the payment required to be made to the Minister of Finance, the election of directors, the deposit for security of the note issue, and no certificate shall be given except within one year from the passing of the Act of Incorporation. If no certificate is obtained within the year specified, the rights, powers and privileges conferred by the Act of Incorporation cease and are of no force or effect whatever. In such a case the deposit made with the Finance Minister is refunded.

But if the bank is so certified, it is legally ready to commence business.

DIRECTORS.

The directors are required to hold stock as follows: When the paid-up capital stock is \$1,000,000 or less each director shall hold stock on which not less than \$3,000 has been paid up; when the stock is over \$1,000,000 and not above \$3,000,000, each director shall hold stock on which not less than \$1,000 has been paid up; and when the stock exceeds \$3,000,000 each director shall hold stock on which not less than \$5,000 has been paid up.

A majority of the directors shall be natural-born or naturalized subjects of His Majesty. The bearing of this upon the proposed acquisition of a very large interest in the capital stock of a Canadian bank by foreigners is evident. The directors may make by-laws and regulations, which are not repugnant to the Bank Act or laws of Canada, touching the management and disposition of the stock, property, affairs and concerns of the bank, and touching the duties and conduct of the officers, clerks and servants of the bank, and all other matters appertaining to its business.

The directors may appoint as many officers, clerks and servants with such salaries and allowances as they deem necessary, and may appoint a director or directors for any branch of the bank. The latter regulation therefore legalizes what is reported to be the future policy of one of the banks, that is, the appointment of local directors for some one, or more of its branches. The Act gives each shareholder one vote for each of his shares held for 30 days before the meeting, and voting is by ballot.

CAPITAL STOCK.

A bank has power to increase its capital stock when approved by the Government Treasury Board and a certificate issued to that effect. Any of the original unsubscribed stock may be distributed *pro rata* amongst the shareholders, but no premium thereon shall exceed the percentage which the Reserve Fund then bears to the paid-up capital. The capital may be reduced by a by-law passed by the shareholders if approved by the Treasury Board.

Bank shares are personal estate, assignable and transferable at the head office or at any branch or in the United Kingdom, or any British colony as the directors may prescribe. The directors have power to make calls after due notice, no call to exceed 10 per cent. of each subscribed share. Such calls may be sued for and collected, or forfeited if not paid. The shares carry a "double liability," that is,