

every one of its offices, whether principal or subordinate, and renewed every half-year. A provision like this, we believe, obtains in England.

The fourth recommendation is very fully met. A form of return is appended, which is vastly more searching and comprehensive than any which has existed previously. The banks under this form will have to show what amount they have on deposit from the Government, as distinct from individuals, and what amount is due to their foreign agents, as distinct from other banks. Had such a form been in operation in the days of the Bank of Upper Canada, it would have restrained them from getting so deeply into debt in England, and been compelled to lend its money more discreetly. It is, however, in the amendments in the statement of assets, that the greatest improvement is apparent. Under this head, the banks will be required to show what amounts are lent to the Government, if any, what to railway companies, what to other corporations, what to directors, and what to the general public; also, what debts are current and what overdue, as well as to distinguish between bank premises and other real estate.

If these provisions are carried, and we sincerely hope they will, it is certain that a strong and effectual restraint will be put upon many of those transactions by which losses have been made, or funds locked up, in the past, and which have been the occasion of the stopping of every bank which has either failed or suspended amongst us. We make bold to say that had such a system of returns been in operation during the last fifteen years, neither the Bank of Upper Canada nor the Commercial would have closed their doors; and that in future there will be far less likelihood than ever before of banking institutions amongst us being entangled in illegitimate transactions.

Another improvement under this head is that banks having branches in various Provinces of the Dominion will be required to state what business they are doing in each. This will afford very useful information. The manner in which returns are to be made is very strictly defined, and stringent penalties are imposed for making such as are known to be false.

The recommendation as to capital is met in sections 1 and 2, which provide that no new bank shall be chartered with less than one million dollars, the whole of which shall be subscribed, and at least twenty per cent. paid up before the bank shall commence business; and the Finance Minister is to be satisfied, in any way that may seem best to him, that this provision has been strictly complied with.

Thus every recommendation made by a majority of the Bankers of the Dominion is embodied in the resolutions, but there are provisions in addition as to which there has been, and is now, considerable difference of opinion. Of this character is Sect. 3, which limits the circulation of banks to their paid-up capital. A perfectly needless restriction, as it seems to us. After such safeguards as have been mentioned, and one which may be productive of great inconvenience in Ontario at a time when a heavy crop requires to be moved at good prices. All experience shows that circulation does and will regulate itself when there is the obligation to redeem in specie, and that it is not in this direction that danger lies, but in the loans and discounts. The same clause prohibits the issue of a note below four dollars, a provision of a very doubtful character, as it is our fixed conviction that the circulation of Dominion notes ought to be abolished altogether. Of the same character is Sect. 7, which provides that a Bank's liability shall never exceed three times its capital, plus its specie and Dominion notes; a clause which is taken from the old charters and made more obstructive than before. The effect will be to prevent a large accumulation of deposits in any one Bank, which is really a very needless piece of interference with their operations, and the effect of which will be to deprive a bank of any stimulus to good management. For what is it that attracts deposits but reputation for safety? And how does a Bank attain a reputation for safety but by good management? The best managed Bank will therefore, other things being equal, have the most deposits; but if it is restricted by an arbitrary rule from taking, or rather from using more than a certain quantity, this inducement to manage well will be lost. The clause is objectionable on another ground, viz: that the ratio fixed rests upon no principle. No reason can be given why it should be three times the capital, rather than twice or four times, or any other proportion. We believe the clause was originally copied from some American charters, and originated with certain theorists in New York, who had some fanciful notions on the subject: considering how very low the deposits of banks in Canada are, compared with those of Australia and Britain, it does seem absurd to restrict them, and we shall be glad to see the clause swept away in committee.

The other provisions of the resolutions are mostly of a formal and technical character, or are mere repetitions of clauses already existing in bank charters. There are three, however, which deserve special notice. Section 15 makes it a misdemeanor for any offi-

cer of a bank to give an unfair preference to any creditor of a bank in the way of security, or by changing the nature of his claim. This might meet some rare case, but does not strike us as very practical.

Section 19 is a very important one. It enacts that banks shall always hold fifty per cent. of their cash reserves in Dominion notes. If Dominion notes are to be retained, we do not know that this provision will be very injurious, except by weakening the specie basis on which bank liabilities rest. But we are firmly convinced that it is not for the interest of the country to retain Dominion notes at all. They will necessitate machinery for redemption, which may be either so cumbrous and complicated as to be perpetually in danger of getting out of order, or stopping altogether, or it may be managed through a banking institution in such a way as to give that bank great power contrary to the public good. In any case considerable expense must be incurred, and putting all things together, including the amount of specie required to be held for redemption of notes, we believe that the country would lose little or nothing by negotiating debentures in the open market, and redeeming the notes altogether. There would thus be removed a standing source of danger and disquiet both to the Government, the public, and the banks, and all danger of depreciation in the currency would be obviated. We should be glad if the resolutions of the Finance Minister can be so amended in passing through Parliament, and we are sure a large majority would sustain this policy.

The last provision we shall notice is that in section 18, which is to the effect that a bank shall always receive its own notes in payment at any of its offices, at par, but shall not be bound to redeem them in specie except at the place of payment. This is a very useful provision, and will prevent any ambitious manager from laying a trap to catch his neighbour at a weak point. It would be still more useful if the banks were bound to take all bank notes on deposit, so long as they are redeemed daily in specie. This would prevent any bank from maliciously injuring its neighbour and doing immense damage to the country by throwing out its notes.

Such is the substance of the resolutions on banking.

There are two other sets of resolutions, the one referring to Dominion notes, the other to the currency of Nova Scotia; but we have no time to notice them further than to say the best way of dealing with Dominion notes will be to abolish them altogether, and as to the currency of Nova Scotia, the lesser interest must give way to the greater, and its currency should be assimilated to that of the rest of the Dominion.