

THE NOTE ISSUES OF THE CANADIAN BANKS.

(Sir Edmund Walker, before the Institute of Bankers, London.)

Doubtless the sections in our Bank Act of most general interest are those dealing with our power to issue circulating notes. Apart from various qualifications, the power is expressed as follows:—"The bank may issue and reissue notes payable to bearer on demand and intended for circulation." The first qualification is that the notes must not be smaller than five dollars, and all notes for other amounts must be for multiples of five dollars. Previous to and for a few years after Confederation, bankers had the power to issue notes of such denominations as one and two dollars, but the issue of these notes was regarded by the Government as an opportunity for the circulation of their legal-tender issues, in which shape all change-making currency, except subsidiary coinage, exists in Canada to-day.....

Since 1880 note issues have been a prior lien upon the estate of a bank, prior even to a debt due to the Crown. This legislation was prompted by the failure of a small bank in 1870, which did not pay its notes in full. The bankers had urged such legislation in 1869, and if they had succeeded in obtaining it then, we should be able to say to-day that, without further security than this prior lien on all assets, note issues had always been paid in full, no matter how bad the failure of the issuing bank.

At the revision of the Act in 1890 it was recognised that there were still two minor though serious defects in the system. It was frequently alleged by those who admired the National Bank Act of the United States, that while the currency created by it might not be elastic, the notes could not for any reason fail to be paid in full or to circulate without discount throughout the entire area of the United States, while in Canada no similar boast could be made. The area of Canada is enormous, relatively to population, and the notes of the banks in one province certainly passed at a discount in some of the others, a recurrence in a less aggravated form of a defect in the old State-bank issues of the United States. And, while it might be confidently asserted that all bank issues secured by being a first lien on the estate of the banks would eventually be paid in full, it was nevertheless true that because of doubt and delay, the notes of a suspended bank might fall to a discount for the time being. To meet these two defects, the bankers at this time proposed the following new features, which were adopted by the Government:

1. To avoid discount at the moment of the suspension of a bank, either because of delay in the payment of the note issue by the liquidator or of doubt as to ultimate payment, each bank is obliged to keep in the hands of the Government a deposit equal to 5 p.c. on its average circulation, the average being taken from the maximum circulation of each bank in each month of the year. This is called the Bank Circulation Redemption Fund, and should any liquidator fail to redeem the notes of a failed bank, recourse may be had to the entire fund, if necessary. As a matter of fact, liquidators are almost invariably able to redeem the note issues as they are presented, but, in order that all solvent banks may accept without loss the notes of an insolvent bank, these notes bear 5 p.c. interest

from the date of suspension to the date of the liquidator's announcement that he is ready to redeem.

2. To avoid discount for geographical reasons, each bank is obliged to arrange for the redemption of its notes in certain named commercial centres throughout the Dominion.

Both of these reforms were suggested by the speaker, but, like many other features in our Act they were prompted by the experience of the United States in the period preceding their present banking system. That our bank notes are abundantly secured, so far as the public is concerned, seems evident from the fact that a note circulation at 31st December, 1910, of \$87,604,840 was in effect secured by a prior lien on total assets of \$1,220,790,850, to which must be added the double liability of the shareholders on the capital stock of the banks, making a total of \$1,330,573,425. That the banks are not likely ever to lose a dollar by the system of guaranteeing each other's notes seems quite clear. Daily redemption and other features in the Act make it difficult to create a forced circulation and although we have had several fraudulent bank failures, there has never been a case where the assets on which we had the first claim did not easily protect us.

BRITISH LIFE ASSURANCE IN 1911.

Interesting Comparisons between British and Foreign Companies doing Business in the United Kingdom—Their New Business—Comparison of Commissions and other Expenses.

The following figures and comment are from the London Economist's review of the newly issued blue book containing the accounts for 1911, of British Life Assurance Companies:—

GROWTH OF BRITISH LIFE ASSURANCE.

We may show the growth of British life assurance companies as follows:—

End of Year.	Sums Assured.		Revenue.	Assets.
	Industrial.	Ordinary.		
	£	£	£	£
1889	86,203,873	443,362,228	27,510,195	203,610,042
1894	144,142,569	529,184,344	33,954,345	240,397,866
1899	181,135,538	616,911,783	41,813,166	300,403,768
1904	241,866,981	697,627,128	49,362,998	366,717,138
1905	251,533,949	713,491,783	51,671,982	384,298,398
1906	267,469,613	726,875,009	54,214,221	395,754,477
1907	278,444,591	757,048,167	55,357,953	413,754,644
1908	285,807,599	767,644,459	57,385,092	429,299,886
1909	292,689,157	782,198,531	60,677,532	447,342,644
1910	310,969,119	800,215,506	62,287,645	467,329,194

The item "Revenue" shows the gross income of the companies from all sources, and before paying claims on expenses. Only the figures of companies established in the United Kingdom are included in the above table.

NEW BUSINESS.

A most instructive comparison is afforded by the figures of new business effected during the year of account as shown in the following table:—

	Policies.	Sums Assured.
	No.	£
BRITISH COMPANIES.		
"Ordinary" business within the U. K.	246,838	53,624,193
"Ordinary" business out of the U. K.	19,284	7,744,738
"Industrial" business within the U. K.	7,858,747	71,598,255
COLONIAL AND FOREIGN COMPANIES.		
Business within the U. K.	5,630	2,293,906

The amount of new business transacted by foreign and colonial companies forms a very small proportion of the total, and is no doubt much less than it was before the American scandals of 1905, though two out of the three