

properly provided for by banks. The remaining surplus will be paid into the Consolidated Revenue Fund of Canada, and to the rest fund of the Bank, in specified proportions.

The Bank may buy and sell securities of the Dominion, the provinces, the United Kingdom and the United States of America, without restriction if of a maturity not exceeding two years, and in limited amounts if of longer maturity. It may also buy and sell securities of British Dominions and France without restriction, if maturing within six months. Short-term securities of the Dominion or provinces may be rediscounted. The Bank may buy and sell certain classes of commercial paper of limited currency, and if endorsed by a chartered bank may rediscount such commercial paper. Advances for six-month periods may be made to chartered banks, Quebec savings banks, the Dominion or any province against certain classes of collateral, and advances of specified duration may be made to the Dominion or any province in amounts not exceeding a fixed proportion of such government's revenue. The Bank may buy and sell gold, silver, nickel and bronze coin and gold and silver bullion,* and may deal in foreign exchange.

The Bank has assumed the liability for Dominion notes outstanding and is replacing them with its own notes in denominations of \$1, \$2, \$5, \$10, \$20, \$50, \$100, \$500, and \$1,000. The chartered banks are required (under the Bank Act of 1934) to reduce the issue of their own bank notes to 25 p.c. of their paid-up capital during the next 10 years.

The Bank of Canada must maintain a reserve of gold equal to not less than 25 p.c. of its total note and deposit liabilities in Canada. The reserve,* in addition to gold, may include silver bullion, balances with the Bank of England, the Bank for International Settlements, the Federal Reserve Bank of New York and central banks in gold standard countries, Treasury bills of the United States of America or the United Kingdom having a maturity not exceeding 3 months, and bills of exchange having a maturity not exceeding 90 days, payable in London, New York, or in a gold standard country, less any liabilities of the Bank payable in the currency of the United Kingdom, the United States of America, or a gold standard country.

The bank has an obligation to sell gold in the form of bars on demand, but this may be, and is at present, suspended by Order in Council.

The chartered banks are required to maintain a reserve of not less than 5 p.c. of their deposit liabilities within Canada in the form of deposits with and notes of the Bank.

The Bank will act as the fiscal agent of the Dominion of Canada and may by agreement act as banker or fiscal agent of any province. The Bank must not accept deposits from individuals and thus cannot compete with the chartered banks in commercial banking fields.

*In the weekly statement on pp. 965-966, the net reserve is described as Item 1 of Assets less Item 5 of Liabilities (*i.e.*, sundry liabilities payable in sterling, U.S.A. other foreign gold currencies).