

the banks and the Dominion Government has been made permanent through the medium of periodic returns and the regulation of note issues and reserves.

Apart from the many detailed services rendered to its clients, the Canadian banking system may be said to perform three main functions as follows:—

1. To put into circulation the paper currency which forms the circulating medium for small exchanges.
2. To provide a mechanism of exchange by the issue of bills of exchange, etc.
3. To form a means by which the credit of the banks and their unused deposits may be put to immediate productive use.

**Legislation Regarding Chartered Banks.**—An account of this subject was given at pp. 958-963 of the 1934-35 edition of the Year Book, to which the interested reader is referred, as considerations of space preclude its repetition here.

**Statistics of Chartered Banks.**—In Table 10 is given a historical summary of Canadian banking business since Confederation. In order to afford a clear view of the nature of banking transactions in Canada, bank liabilities have been classified in two main groups, liabilities to shareholders and liabilities to the public, only the latter group being ordinarily considered when determining the financial position of any such institution. Assets are divided into four groups, other assets being included in the total. As of interest to students of banking practice, the relative rates of increase of capital and reserve funds may be noted, also the great increase in the proportion of liabilities to the public to total liabilities, and the gradually increasing percentage of liabilities to the public to total assets. The declining proportion of notes in circulation to total liabilities to the public is also characteristic of the evolution of banking in recent times. Holdings of Dominion and Provincial Government and municipal securities were relatively insignificant prior to the Great War.

