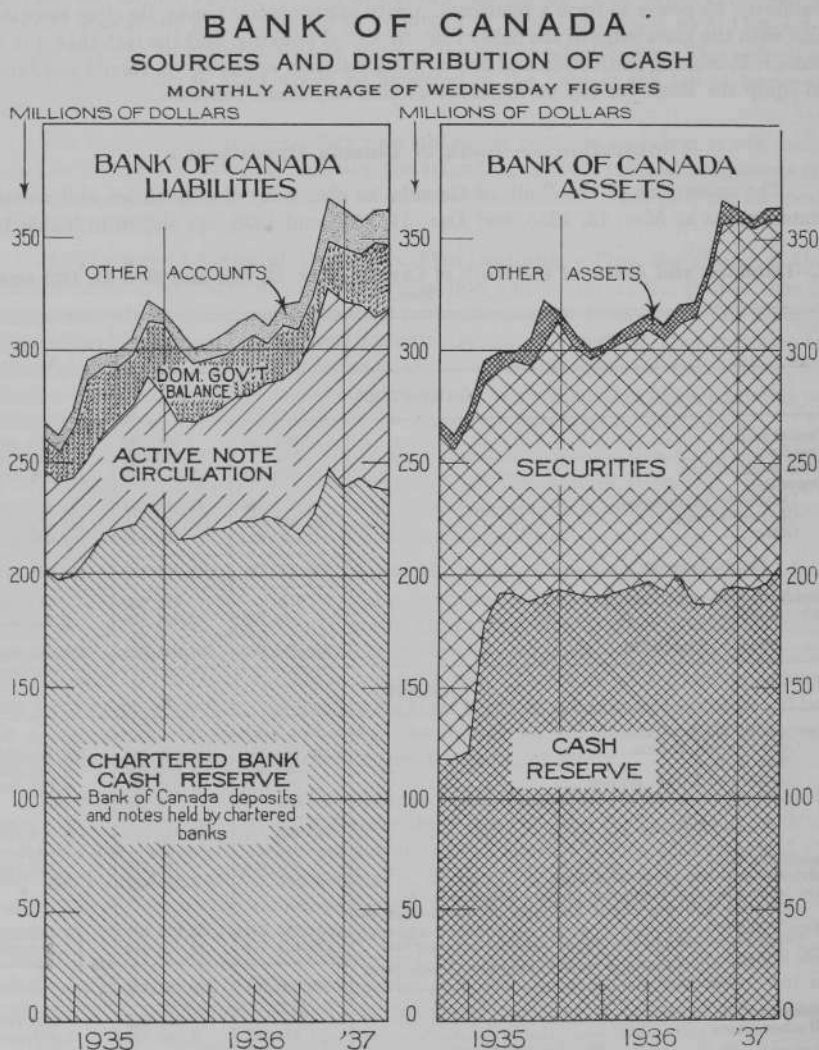


The chart given below showing Bank of Canada assets and liabilities covers the short period since the Bank was established, but illustrates the relationship between the central bank's balance sheet and chartered bank cash reserves. The expansion of Bank of Canada assets and liabilities has provided for increased Bank of Canada notes in active circulation as the chartered bank-note issue is limited and gradually retired under Bank Act regulations, and somewhat enlarged the cash reserves of the chartered banks. The principal changes in Bank of Canada assets have been those due to revaluation of gold holdings required by the Exchange Fund Act of July, 1935, and the rise in investments, variations in which have been due in part to seasonal variations in cash reserves and active note circulation.



Reproduced from the Bank of Canada's "Statistical Summary".