

failed banks, no bank-note holder in Canada has suffered a loss since 1881. In 1908, after the financial crisis of 1907, provision was made for the banks to issue, during the crop-moving season, October to January inclusive (later extended to September to February inclusive), an excess circulation up to 15 p.c. of their combined capital and "rest" or reserve funds, such excess to be taxed at a rate not exceeding 5 p.c. per annum. The revision of the Bank Act in 1913 provided for the establishment of Central Gold Reserves in which banks might deposit gold or Dominion notes and issue additional notes of their own there-against. The Finance Act (c. 3) of 1914, gave the Minister of Finance authority to issue Dominion notes to the banks against approved securities deposited with him. Originally passed as a war measure, this was made a permanent feature of the system by the Finance Act (c. 48) of 1923, and provided the banks with the means of further expanding their note issue by the deposit of the Dominion notes, so obtained, in the Central Gold Reserves.

Bank notes, although forming the chief circulating medium in the hands of the public, were a fiduciary issue; they were not legal tender but were convertible into Dominion notes which were legal tender.

The provisions regarding bank notes were materially changed with the establishment of the Bank of Canada under the Bank Act (c. 24) of 1934. The authority both for seasonal expansion and for additional issue secured by deposit in the Central Gold Reserves was then terminated. Provision was made for a gradual reduction in bank note circulation over a period of years as explained on p. 889. As a result of these changes, current data on bank-note circulation are not comparable with those of earlier years. However, statistics of total notes in the hands of the general public are comparable. This public circulation includes chartered bank notes together with Dominion notes and Bank of Canada notes, exclusive of those held by the banks as reserves. Statistics upon this basis are shown in Table 6.

6.—Note Circulation in the Hands of the Public, 1926-36.

| Year. | Averages of Month-End Figures. | | | Averages of Daily Figures of Total. | |
|-----------|-----------------------------------|--|-------------|--|----------------|
| | Chartered Bank. ¹ | Dominion or Bank of Canada. ² | Total. | Amount. ³ | Per Capita. |
| | \$ | \$ | \$ | \$'000,000 | \$ |
| 1926..... | 168,885,995 | 26,314,706 | 195,200,701 | 195 | 20.63 |
| 1927..... | 172,100,763 | 27,793,500 | 199,894,263 | 198 | 20.55 |
| 1928..... | 176,716,979 | 28,803,340 | 205,520,319 | 204 | 20.74 |
| 1929..... | 178,291,030 | 30,003,870 | 208,294,900 | 205 | 20.44 |
| 1930..... | 159,341,085 | 28,812,059 | 188,153,144 | 185 | 18.12 |
| 1931..... | 141,969,350 | 28,572,011 | 170,541,361 | 167 | 16.09 |
| 1932..... | 132,165,942 | 28,483,686 | 160,649,628 | 158 | 15.04 |
| 1933..... | 130,362,488 | 29,066,051 | 159,428,539 | 157 | 14.70 |
| 1934..... | 135,537,793 | 30,547,720 | 166,085,513 | 163 | 15.06 |
| 1935..... | 125,644,102 | 47,288,651 | 172,932,753 | 169 | 15.45 |
| 1936..... | 119,507,306 | 66,934,958 | 186,442,264 | 182 | 16.50 |

¹ Gross note circulation of chartered banks.

² Total issue less notes held by chartered banks and notes deposited in the Central Gold Reserves up to March, 1935.

³ Annual averages of daily figures supplied by the Bank of Canada.