

by the Minister of Finance with the approval of the Governor in Council for terms of three years. There are now eleven directors. Former directors continued in office when the Government took over the management of the Bank. In the transaction of the business of the Bank each director has one vote.

There is also an Executive Committee of the Board of Directors consisting of the Governor, Deputy Governor, and one member of the Board, which must meet once a week. This Committee has the same powers as the Board but every decision is submitted to the Board of Directors at its next meeting. The Board must meet at least four times a year. The Deputy Minister of Finance is an *ex officio* member of the Board of Directors and of the Executive Committee, but is without a vote.

The Governor, or in his absence the Deputy Governor only, has the power to veto any action or decision of the Board of Directors or the Executive Committee, subject to confirmation or disallowance by the Governor in Council.

### Subsection 2.—The Bank of Canada and Its Relationship to the Canadian Financial System.

An article under this title is given at pp. 881-885 of the 1937 edition of the Year Book. It deals with such subjects as the functions of the Bank, its control and regulation of credit and currency, the mechanism by which such control is exercised, the expansion and contraction of credit, the mitigation of general economic fluctuations, the control of exchange operations, the advisory function of the Bank, and its duties as the Government's banker.

### Subsection 3.—Bank of Canada Operations.

The operations of the Bank of Canada, as shown by the liabilities and assets statement as at Mar. 13, 1935, and Dec. 31, 1936-38, are shown in Table 1.

#### 1.—Liabilities and Assets of the Bank of Canada, Mar. 13, 1935, and Dec. 31, 1936-38.

Item.	Mar. 13, 1935.	Dec. 31, 1936. <sup>1</sup>	Dec. 31, 1937. <sup>1</sup>	Dec. 31, 1938. <sup>1</sup>
	\$	\$	\$	\$
<b>Liabilities.</b>				
Capital paid up.....	5,000,000	10,100,000	10,100,000	5,000,000
Reserve fund.....	173,092	743,716	1,348,414	1,903,515
Notes in circulation.....	90,677,229	135,735,458	165,330,405	175,250,573
Deposits—				
Dominion Government.....	18,868,844	19,917,329	12,898,588	17,785,300
Chartered banks.....	181,636,034	186,973,755	198,089,737	200,645,826
Other.....	766,255	2,059,627	3,458,935	3,086,373
Totals, Deposits.....	200,665,133	208,950,711	211,789,054	221,515,499
Dividends declared.....	113,000	182,793	228,260	85,000
Other liabilities.....	2,026,698	1,273,197	1,634,083	1,172,015
<b>Totals, Liabilities.....</b>	<b>347,655,152</b>	<b>356,985,985</b>	<b>390,430,216</b>	<b>404,935,602</b>
<b>Assets.</b>				
Reserves (at Market Values)—				
Gold coin and bullion.....	180,509,343	179,376,816	179,763,762	185,912,017
Silver bullion.....	1,638,368	2,257,032	2,992,633	Nil
Sterling and U.S.A. dollars.....	4,223,101	9,125,401	14,884,810	28,354,420
Other currencies, of countries on a gold standard.....	9,215	Nil	382	2,005
Totals, Reserves.....	186,380,025	190,759,248	197,641,578	214,268,442
Subsidiary coin.....	128,778	143,116	42,989	220,152
Advances to Dominion Government.....	3,465,813	Nil	Nil	Nil
Investments (at Not Exceeding Market Values)—				
Dominion and Provincial Government short-term securities.....	30,873,160	61,899,084	83,543,729	144,620,866
Other Dominion and Provincial Government securities.....	83,409,675	99,016,390	91,664,710	40,894,976
Other securities.....	Nil	Nil	12,218,437	Nil
Totals, Investments.....	114,282,844	160,315,414	186,120,576	185,515,842
Bank premises.....	111,911	350,719	1,167,563	1,647,580
All other assets.....	3,285,780	5,417,408	5,457,210	3,283,586
<b>Totals, Assets.....</b>	<b>347,655,152</b>	<b>356,985,985</b>	<b>390,430,216</b>	<b>404,935,602</b>

<sup>1</sup> From the Bank's Annual Statement.