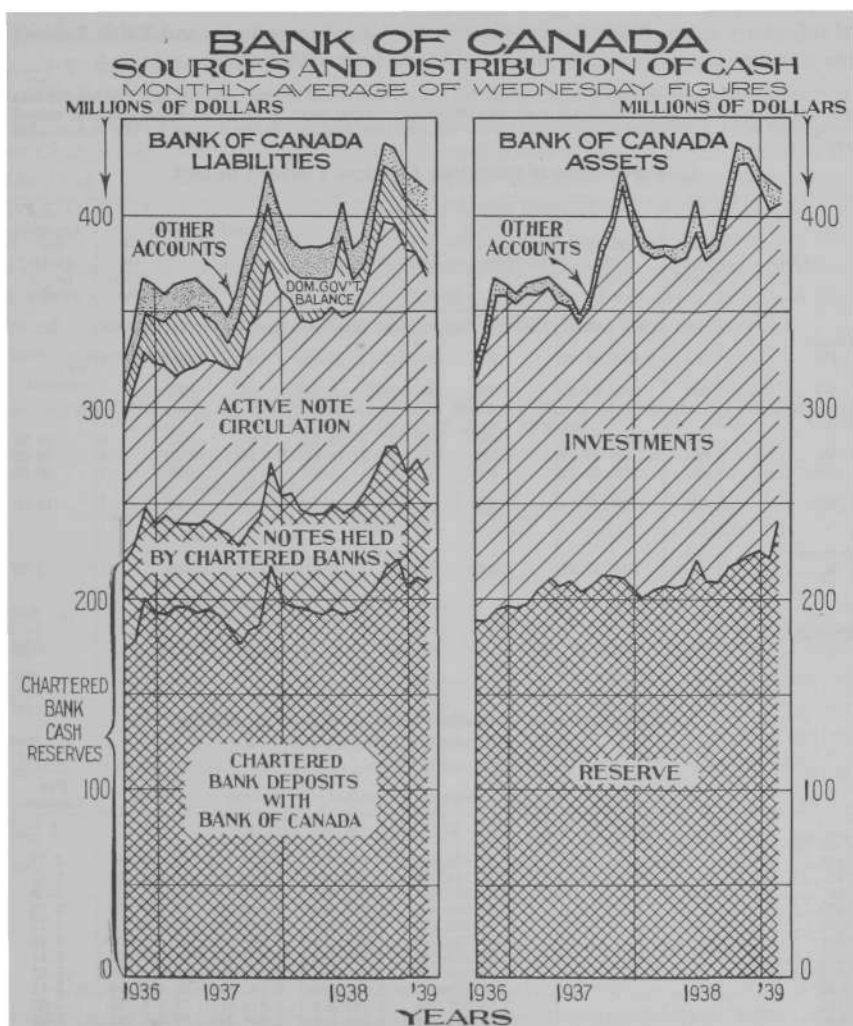


The chart given below showing Bank of Canada liabilities and assets covering the short period since September, 1936, illustrates the relationship between the central bank's balance sheet and chartered bank cash reserves. The expansion of Bank of Canada liabilities and assets has provided for increased Bank of Canada notes in active circulation, as the chartered bank-note issue is limited and is gradually being retired under Bank Act regulations, and has somewhat enlarged the cash reserves of the chartered banks. The principal change in Bank of Canada assets since September, 1936, has been 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" March, 1939.