

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. 938. 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 on this basis are shown in Table 6.

6.—Note Circulation in the Hands of the Public, 1926-38.

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. ⁴
	\$	\$	\$	\$'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	16.00
1932.....	132,185,942	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	30,547,729	166,085,513	163	15.06
1935.....	125,644,102	47,288,651	172,932,753	169	18.45
1936.....	119,507,306	66,934,958	186,442,264	182	16.50
1937.....	110,259,134	94,876,384	205,135,518	200	17.99
1938.....	99,870,493	109,748,030	209,618,523	205	18.29

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. ⁴ Figures based on estimates of population as given on p. 113.

Section 4.—Monetary Reserves.

Subsection 1.—Bank of Canada Reserves.

In the 1936 edition of the Year Book, the composition of Canadian Gold Reserves held by the Government is presented for the years 1905 to 1934, in Table 3, p. 395. Since March, 1935, the gold reserves have been held by the Bank of Canada. By authority of the Exchange Fund Act (c. 60, 1935), effective in July, 1935, they are to be valued at the prevailing current market price of gold. The effect of the revaluation as from the above date is shown in the chart on p. 935. The new data are now to be found under the item "Reserves" on the "Assets" section of Table 1, p. 934.

Subsection 2.—Chartered Bank Canadian Cash Reserves.

Before the Establishment of the Bank of Canada.—Up to March, 1935, legal tender cash reserves in Canada were made up partly of Dominion notes (see pp. 937-938); and partly of gold coin and bullion, and subsidiary coin, including these forms of cash held by the banks themselves; and as deposits in the Central