

CHAPTER XXII.—CURRENCY AND BANKING; MISCELLANEOUS COMMERCIAL FINANCE.

CONSPECTUS.

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In this chapter are assembled the statistics regarding financial institutions and transactions, other than those pertaining to insurance, which are dealt with separately in Chapter XXIII.

PART I.—CURRENCY AND BANKING.

Section 1.—Historical Sketch.

At pp. 900-905, inclusive, of the 1938 Year Book there appears a historical sketch of currency and banking in Canada, in which certain features of a central banking system were traced that finally led up to the establishment of the Bank of Canada. In chronological order these were:—

1. *Central Note Issue*, permanently established with the issue of Dominion notes under legislation of 1868.
2. *The Canadian Bankers' Association*, established in 1900, and designed to effect greater co-operation among the banks in the issue of notes, in credit control, and in various aspects of bank activities.
3. *The Central Gold Reserves*, established by the Bank Act of 1913.
4. *Rediscount Facilities*, although originated as a war measure by the Finance Act of 1914, were made a permanent feature of the system by the Finance Act of 1923, which empowered the Minister of Finance to issue Dominion notes to the banks on the deposit by them of approved securities. This legislation provided the banks with a means of increasing their legal tender cash reserves at will.

Section 2.—The Bank of Canada.

Subsection 1.—The Bank of Canada Act and Its Amendments.

C. 43 of the Statutes of 1934, "An Act to incorporate the Bank of Canada", provided for the establishment of a central bank in Canada. The capital of the Bank was originally \$5,000,000, divided into shares of \$50 par value. These shares were offered for public subscription by the Minister of Finance on Sept. 17, 1934, and were