

Subsection 3.—Bank of Canada Operations

The chart at p. 806, showing Bank of Canada liabilities and assets covering the period since April, 1938, illustrates the relationship between the central bank's balance sheet and chartered banks' 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 enlarged the cash reserves of the chartered banks. The principal change in Bank of Canada assets since April, 1938, has been the rise in investments, partly to replace the gold and foreign-exchange holdings transferred to the Foreign Exchange Control Board under the terms of the Exchange Fund Order and Foreign Exchange Acquisition Order, dated Apr. 30, 1940. Variations in security holdings have been due, in part, to seasonal variation in cash reserves and active note circulation.

1.—Liabilities and Assets of the Bank of Canada, Mar. 13, 1935, and Dec. 31, 1938-40

Item	Mar. 13, 1935	Dec. 31, 1938 ¹	Dec. 31, 1939 ¹	Dec. 31, 1940 ²
	\$	\$	\$	\$
Liabilities				
Capital paid up.....	4,991,640	5,000,000	5,000,000	5,000,000
Reserve fund.....	Nil	1,903,515	2,449,757	3,722,910
Notes in circulation.....	97,805,665	175,259,573	232,779,327	359,949,121
Deposits—				
Dominion Government.....	4,212,200	17,783,800	47,362,964	13,426,258
Chartered banks.....	151,927,628	200,645,326	216,996,201	217,738,289
Other.....	277,922	3,086,373	17,851,578	9,514,892
Totals, Deposits.....	156,417,750	221,515,499	282,210,743	240,679,439
Dividends declared.....	Nil	85,000	112,500	112,500
Other liabilities.....	99,702	1,172,015	4,678,505	17,114,757
Totals, Liabilities.....	259,314,757	404,935,602	527,230,832	626,578,727
Assets				
Reserves (at market values)—				
Gold coin and bullion.....	106,584,356	185,912,017	225,677,320	2
Silver bullion.....	986,363	Nil	Nil	Nil
Sterling and U.S.A. dollars.....	394,875	28,354,420	64,324,718	38,429,278
Other currencies, of countries on a gold standard.....	Nil	2,005	47	Nil
Totals, Reserves.....	107,965,594	214,268,442	290,002,085	38,429,278 ²
Subsidiary coin.....	297,335	220,152	90,273	598,312
Advances to Dominion Government.....	Nil	Nil	Nil	Nil
Investments (at not exceeding market values)—				
Dominion and Provincial Government short-term securities.....	34,846,294	144,620,866	181,896,820	448,439,973
Other Dominion and Provincial Government securities.....	115,013,637	40,894,976	49,875,738	127,323,189
Other securities.....	Nil	Nil	Nil	Nil
Totals, Investments.....	149,859,931	185,515,842	231,772,558	575,763,162
Bank premises.....	Nil	1,647,580	1,635,158	1,703,272
All other assets.....	1,191,897	3,283,586	3,730,758	10,084,703
Totals, Assets.....	259,314,757	404,935,602	527,230,832	626,578,727

¹ From the Bank's Annual Statement.

² The Exchange Fund Order, 1940, authorized the transfer of the Bank's gold holdings to the Foreign Exchange Control Board and temporarily suspended the requirement for a minimum gold reserve.