

The chartered banks are required under the Bank Act of 1934 to reduce the issue of their own bank notes gradually during the years 1935-45 to an amount not in excess of 25 p.c. of their paid-up capital on Mar. 11, 1935. Bank of Canada notes are thus replacing chartered bank notes as the issue of the latter is reduced.

There has been little change in the circulation of denominations of notes under \$5. In the denominations from \$5 to \$1,000, where Bank of Canada notes have partially replaced chartered bank notes or Dominion notes, there has been a large increase. On the other hand, the special Dominion notes in denominations from \$1,000 to \$50,000, which were used almost exclusively for inter-bank transactions or bank reserves, are no longer in use.

**5.—Denominations of Dominion or Bank of Canada Notes in Circulation, 1926, 1929, 1932, and 1938-40**

NOTE.—Annual averages of month-end figures. The totals outstanding are not always multiples of the denominations of notes because of adjustments made according to scale when parts of mutilated notes are turned in for cancellation.

Denomination	1926	1929	1932	1938	1939	1940
	\$	\$	\$	\$	\$	\$
Provincial.....	27,624	27,621	27,594	27,578	27,576	27,576
Fractional.....	1,330,663	1,380,710	1,287,544	1,123,738	1,112,857	1,105,776
\$1.....	17,732,100	20,032,308	18,957,935	23,716,228	24,675,157	27,304,106
\$2.....	12,925,212	14,609,088	13,346,323	15,900,985	16,292,040	18,373,006
\$4.....	33,397	32,138	31,004	29,334	29,204	29,076
<b>Totals....</b>	<b>32,048,996</b>	<b>36,081,865</b>	<b>33,650,400</b>	<b>40,797,863</b>	<b>42,136,834</b>	<b>46,839,540</b>
\$5.....	626,179	730,101	5,137,627	24,005,936	27,651,343	42,516,130
\$10.....	Nil	Nil	Nil	45,738,944	57,562,141	99,364,158
\$20.....	"	"	"	19,849,718	24,325,035	40,399,748
\$25.....	"	"	"	63,390	57,654	51,921
\$50.....	650	650	650	5,591,283	6,991,237	11,736,987
\$100.....	Nil	Nil	Nil	8,056,675	10,518,633	18,739,487
\$500.....	1,875,917	1,811,875	2,530,833	1,411,500	967,292	779,667
\$1,000.....	3,799,250	4,168,917	6,437,583	15,610,750	14,683,750	16,656,667
<b>Totals....</b>	<b>6,301,996</b>	<b>6,711,543</b>	<b>14,106,693</b>	<b>120,328,196</b>	<b>142,757,085</b>	<b>230,244,765</b>
Specials—						
\$1,000.....	671,333	407,667	3,500	1,000	1,000	1,000
\$5,000.....	16,307,500	7,209,583	8,063,750	10,000	10,000	10,000
\$50,000.....	134,675,000	153,970,834	110,054,167	Nil	Nil	Nil
<b>Totals, Specials..</b>	<b>151,653,833</b>	<b>161,588,084</b>	<b>118,121,417</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>
<b>Grand Totals..</b>	<b>190,004,825</b>	<b>204,381,492</b>	<b>165,878,510</b>	<b>161,137,059</b>	<b>184,904,919</b>	<b>277,095,305</b>

**Subsection 3.—Chartered Bank Notes**

The developments by which bank notes became the chief circulating medium in Canada in the period preceding the establishment of the Bank of Canada are described in the historical outline referred to at the beginning of this chapter. The main steps of this development which remained as permanent features of the system are assembled and emphasized here. By the Bank Act of 1870 (later consolidated with the general Bank Act of 1871), the note issue of a bank was not to exceed its paid-up capital, no bank notes were to be issued under \$4 in value (later changed to \$5 and multiples thereof), and, while the banks were allowed to use their own discretion regarding the amount of their cash reserves, it was stipulated that at least one-third (later increased to 40 p.c.) of such cash reserves as they chose to carry should consist of Dominion notes. In the revision of 1880, a note-holder was