

definitely recognized as a preferred creditor. The Bank Act of 1890 provided for the Bank Note Circulation Redemption Fund, made up by each bank depositing with the Minister of Finance an amount equal to 5 p.c. of its note circulation. As a result of the operation of this fund and of making notes a prior lien against the assets of failed banks, no bank-note holder in Canada has suffered a loss since 1881. In 1908, after the financial crisis of 1907, provision was made for the banks to issue, during the crop-moving season (October to January, inclusive—later extended to September to February, inclusive), an excess circulation up to 15 p.c. of their combined capital and 'rest' or reserve funds, such excess to be taxed at a rate not exceeding 5 p.c. per annum. The revision of the Bank Act in 1913 provided for the establishment of Central Gold Reserves in which banks might deposit gold or Dominion notes and issue additional notes of their own there-against. The Finance Act (c. 3) of 1914, gave the Minister of Finance authority to issue Dominion notes to the banks against approved securities deposited with him. Originally passed as a war measure, this 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 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 for both seasonal expansion and 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 at pp. 808-809. 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.—Annual Averages of Note Circulation in the Hands of the Public, 1926-40

NOTE.—Figures of circulating media in the hands of the general public for the years 1900-35 appear at p. 900 of the 1936 Year Book.

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
	\$	\$	\$	\$	\$
1926.....	153,931,898	26,314,706	180,246,604	195,000,000	20.63
1927.....	156,254,231	27,793,500	184,047,731	198,000,000	20.55
1928.....	160,209,051	28,803,340	189,012,391	204,000,000	20.74
1929.....	161,483,696	30,003,870	191,487,566	205,000,000	20.44
1930.....	144,178,819	28,812,059	172,990,878	185,000,000	18.12
1931.....	128,881,241	28,572,011	157,453,252	167,000,000	16.09
1932.....	120,918,577	28,483,686	149,402,263	158,000,000	15.04
1933.....	120,624,661	29,066,051	149,690,712	157,000,000	14.70
1934.....	125,119,382	30,547,720	155,667,102	163,000,000	15.06
1935.....	118,512,334	47,288,651	165,800,985	169,000,000	15.45
1936.....	112,914,641	66,934,958	179,849,599	182,000,000	16.50
1937.....	104,211,037	94,876,384	199,087,421	200,000,000	17.99
1938.....	93,978,355	109,748,030	203,726,385	205,000,000	18.29
1939.....	88,820,636	129,261,655	218,082,291	216,000,000	19.09
1940.....	87,194,399	206,916,964	294,111,363	287,000,000	25.13

¹ Gross note circulation of chartered banks less notes of other chartered banks. ² Total issue less notes held by chartered banks and notes deposited in the Central Gold Reserves up to March, 1935.
³ Figures, to nearest million, supplied by the Bank of Canada. ⁴ Figures based on estimates of population as given at p. 70.