

becomes correspondingly more important. In meeting many of the special problems that arise in time of war, and that the customary methods of monetary policy are not flexible enough to reach, the central bank may put to good use such moral influence as it may possess.

Subsection 3.—Bank of Canada Operations

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 changes in Bank of Canada assets since April, 1938, have 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, and the fluctuations in holdings of sterling exchange through which the Bank has temporarily financed Canadian dollar requirements of the Foreign Exchange Control Board. Variations in security holdings have been due, in part, to seasonal variation in cash reserves and active note circulation and, in part, to fluctuations offsetting the effect of the changes in sterling exchange referred to above.

1.—Liabilities and Assets of the Bank of Canada, Mar. 13, 1935, and Dec. 31, 1939-41

Item	Mar. 13, 1935	Dec. 31, 1939 ¹	Dec. 31, 1940 ¹	Dec. 31, 1941 ¹
	\$	\$	\$	\$
Liabilities				
Capital paid up.....	4,991,640	5,000,000	5,000,000	5,000,000
Reserve fund.....	Nil	2,449,757	3,722,910	5,585,705
Notes in circulation.....	97,805,665	232,779,327	359,949,121	495,956,232
Deposits—				
Dominion Government.....	4,212,200	47,362,964	13,426,258	77,573,198
Chartered banks.....	151,927,628	216,996,201	217,738,289	232,031,048
Other.....	277,922	17,851,578	9,514,892	5,970,054
Totals, Deposits.....	156,417,750	282,210,743	240,679,439	315,574,300
Dividends declared.....	Nil	112,500	112,500	112,500
Other liabilities.....	99,702	4,678,505	17,114,757	20,632,829
Totals, Liabilities	259,314,757	527,230,832	626,578,727	842,861,566
Assets				
Reserves (at market values)—				
Gold coin and bullion.....	106,584,356	225,677,320	2	2
Silver bullion.....	986,363	Nil	Nil	Nil
Sterling and U.S.A. dollars.....	394,875	64,324,718	38,429,278	200,861,156
Other currencies, of countries on a gold standard.....	Nil	47	Nil	Nil
Totals, Reserves.....	107,965,594	290,002,085	38,429,278 ²	200,861,156 ²
Subsidiary coin.....	297,335	90,273	598,312	316,081
Investments (at not exceeding market values)—				
Dominion and Provincial Government short-term securities.....	34,846,294	181,896,820	448,439,973	391,783,430
Other Dominion and Provincial Government securities.....	115,019,637	49,875,738	127,323,189	216,688,427
Totals, Investments.....	149,865,931	231,772,558	575,763,162	608,471,866
Bank premises.....	Nil	1,635,158	1,703,272	1,732,242
All other assets.....	1,191,897	3,730,758	10,084,703	31,480,221
Totals, Assets	259,314,757	527,230,832	626,578,727	842,861,566

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.