

**Since the Establishment of the Bank of Canada.**—When the Bank of Canada was established, the chartered banks turned over their reserves of gold in Canada and Dominion notes to the new bank in exchange for deposits with and notes of the Bank of Canada. It was provided that henceforth the chartered banks were to carry reserves in these forms amounting to at least 5 p.c. of their deposit liabilities in Canada. Since that time, therefore, the gold reserves against currency and bank credit have been in the custody of the central bank except as affected by the Exchange Fund Order, 1940, as explained under Bank of Canada reserves in Subsection 1.

#### 6.—Annual Averages of Cash Reserves of the Chartered Banks in Canada, 1926-41

NOTE.—Figures, to nearest million, supplied by the Bank of Canada. Cash reserves prior to Mar. 11, 1935, include gold and coin and Dominion notes held by the banks in Canada and deposits in the central gold reserves not earmarked; since that date, they include notes and deposits with the Bank of Canada.

Year	Annual Average of Daily Figures	Annual Average of Month-End Figures	Year	Annual Average of Daily Figures	Annual Average of Month-End Figures
	\$	\$		\$	\$
1926.....	192,000,000	197,000,000	1934.....	201,000,000	203,000,000
1927.....	187,000,000	194,000,000	1935 <sup>1</sup> .....	213,000,000	216,000,000
1928.....	193,000,000	205,000,000	1936.....	225,000,000	225,000,000
1929.....	191,000,000	212,000,000	1937.....	240,000,000	240,000,000
1930.....	176,000,000	197,000,000	1938.....	254,000,000	252,000,000
1931.....	169,000,000	182,000,000	1939.....	269,000,000	268,000,000
1932.....	172,000,000	186,000,000	1940.....	289,000,000	287,000,000
1933.....	189,000,000	195,000,000	1941.....	313,000,000	308,000,000

<sup>1</sup> See text immediately preceding this table.

## Section 5.—Commercial Banking

### Subsection 1.—Historical

Since one of the chief functions of the early banks in Canada was to issue notes to provide a convenient currency or circulating medium, it has been expedient to cover both currency and banking in the one historical sketch which is given at pp. 901-905 of the 1938 Year Book. The 1941 Year Book, at pp. 812-813, treats of the note issues of the chartered banks to the outbreak of the Second World War and of bank absorptions since Confederation. A list of the banks at Confederation appears at p. 897 of the 1940 Year Book. A table at pp. 894-895 of the 1937 Year Book shows the insolvencies since Confederation; there have been no further changes reported.

### Subsection 2.—Combined Statistics of Chartered Banks

In order to afford a clear view of the nature of banking transactions in Canada, bank liabilities have been classified in Table 7 in two main groups: liabilities to shareholders and liabilities to the public. Only the latter group is ordinarily considered when determining the financial position of any such institution. Assets are divided into four groups, "other assets" being included in the total. Of interest to students of banking practice, the relative rates of increase of capital and reserve funds may be noted, also the great increase in the proportion of liabilities to the public to total liabilities, and the gradually increasing percentage of liabilities to the public to total assets. The chart at p. 812 showing the division of ownership of assets is of interest in this connection. The declining proportion of notes in circulation to total liabilities to the public is also characteristic of the evolution of banking in recent times. Holdings of Dominion and Provincial Government and municipal securities were relatively insignificant prior to the First World War.