

held by the banks themselves; and as deposits in the Central Gold Reserves. In so far as these reserves were in actual gold or were in Dominion notes backed by gold, they were subject to the expanding or contracting influences of monetary gold imports or exports arising from Canada's balance of international payments, so long as Canada was on the gold standard.

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.

8.—Annual Averages of Cash Reserves of the Chartered Banks, 1937-46

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. Figures for the years 1926-36 are given at p. 960 of the 1946 Year Book.

Year	Annual Average of Daily Figures	Annual Average of Month-End Figures	Year	Annual Average of Daily Figures	Annual Average of Month-End Figures
	\$	\$		\$	\$
1937.....	240,000,000	240,000,000	1942.....	342,000,000	340,000,000
1938.....	254,000,000	252,000,000	1943.....	423,000,000	413,000,000
1939.....	269,000,000	268,000,000	1944.....	538,000,000	527,000,000
1940.....	289,000,000	287,000,000	1945.....	603,000,000	593,000,000
1941.....	313,000,000	308,000,000	1946.....	672,000,000	673,000,000

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. A list of the banks at Confederation appears at p. 897 of the 1940 Year Book and bank absorptions since 1867 are given at pp. 812-813 of the 1941 edition. A table at pp. 894-895 of the 1937 Year Book shows the insolvencies from Confederation; the last insolvency occurred in 1923.

A summary of the more important changes resulting from the revision of the Bank Act in 1944 is given at pp. 961-962 of the 1946 Year Book.

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 9 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