

Section 3.—Currency

Subsection 1.—Notes and Coinage

Note Circulation.—The development by which bank notes became the chief circulating medium in Canada prior to 1935 is described at pp. 900-905 of the 1938 Year Book. The main steps of this development that remained as permanent features of the system are outlined at pp. 809-810 of the 1941 Year Book.

When the Bank of Canada commenced operations in 1935 it assumed liability for Dominion notes outstanding. These were replaced in public circulation and partly replaced in cash reserves by the Bank's legal tender notes in denominations of \$1, \$2, \$5, \$10, \$20, \$50 and \$100. Deposits of chartered banks at the Bank of Canada completed the replacement of the old Dominion notes of \$1,000 to \$50,000 denomination that had previously been used as cash reserves.

The chartered banks were 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 thus replaced chartered bank notes as the issue of the latter was reduced. Further restrictions introduced by the 1944 revision of the Bank Act cancelled the right of chartered banks to issue or reissue any notes after Jan. 1, 1945, and after January, 1950, the chartered banks' liability for such of their notes as then remained outstanding was transferred to the Bank of Canada in return for payment of a like sum to the Bank of Canada.

As a result of the changes indicated above, data since 1935 on bank-note circulation are not comparable with those of earlier years though statistics of total notes in the hands of the general public are comparable. This public circulation includes chartered bank notes together with Dominion or Bank of Canada notes, exclusive of those held by the banks as reserves.

Since 1935 there has been little change in the circulation of denominations under \$5. In most of the denominations from \$5 to \$100, where Bank of Canada notes have largely replaced chartered bank notes or Dominion notes, there has been a decided increase.

3.—Denominations of Bank of Canada, Dominion and Other Notes in Circulation for Certain Years, 1926-48

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	1945	1946	1947	1948
	\$	\$	\$	\$	\$	\$
\$1	17,732,100	20,032,308	40,577,111	41,241,696	42,333,444	44,333,321
\$2	12,925,212	14,609,088	31,024,976	31,889,923	32,267,026	33,376,393
\$4	33,397	32,138	28,838	28,831	28,829	28,825
\$5	626,179	730,101	102,603,827	102,390,902	101,204,684	101,580,468
\$10	—	—	403,777,675	391,899,105	391,716,339	402,751,820
\$20	—	—	266,684,012	280,872,417	284,105,734	302,582,290
\$25	—	—	43,977	47,073	46,683	46,633
\$50	650	650	75,590,344	89,303,404	95,227,990	100,026,467
\$100	—	—	137,953,983	168,910,387	196,214,333	217,431,683
\$500	1,875,917	1,811,875	457,917	402,875	345,000	293,542
\$1,000	3,799,250	4,168,917	19,024,083	17,779,166	17,145,750	15,701,833
Totals.....	36,992,705	41,385,077	1,077,766,743	1,124,765,779	1,160,635,812	1,218,153,275