

America or a gold-standard country. In accordance with the terms of the Foreign Exchange Acquisition Order, 1940, the Bank of Canada sold foreign exchange with a Canadian dollar value of \$27,734,444 to the Foreign Exchange Control Board.

The chartered banks are required to maintain a reserve of not less than 5 p.c. of their deposit liabilities, payable in Canadian dollars, in the form of deposits with, and notes of, the Bank of Canada.

The Bank acts as the fiscal agent of Canada without charge and may, by agreement, act as banker or fiscal agent of any province. The Bank does not accept deposits from individuals and does not compete with the chartered banks in commercial banking fields.

The head office of the Bank is at Ottawa, and it has an agency in each province, namely, at St. John's, Charlottetown, Halifax, Saint John, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver.

The Governor of the Bank is its chief executive officer and Chairman of the Board of Directors; he is assisted by a Deputy Governor and an Assistant Deputy Governor. The first appointments were made by the Government. Subsequent appointments are to be made by the Board of Directors subject to the approval of the Governor in Council.

At the first meeting of the shareholders on Jan. 23, 1935, seven directors were elected with terms as follows: one director, until the third annual general meeting (1938); two, until the fourth (1939); two, until the fifth (1940); and two, until the sixth annual general meeting (1941). Former directors continued in office when the Government took over the management of the Bank but directors are now appointed by the Minister of Finance with the approval of the Governor in Council for terms of three years. In 1949 there were twelve directors. In the transaction of the business of the Bank, each director has one vote.

There is also an Executive Committee of the Board of Directors consisting of the Governor, Deputy Governor and one member of the Board, which must meet once a week. This Committee has the same powers as the Board but every decision is submitted to the Board of Directors at its next meeting. The Board must meet at least four times a year. The Deputy Minister of Finance is an ex officio member of the Board of Directors and of the Executive Committee, but is without vote.

The Governor alone, or in his absence the Deputy Governor, has the power to veto any action or decision of the Board of Directors or the Executive Committee, subject to confirmation or disallowance by the Governor in Council.

Subsection 2.—The Bank of Canada and Its Relationship to the Canadian Financial System

An article under this title is given at pp. 881-885 of the 1937 edition of the Year Book. It deals with such subjects as the functions of the Bank, its control and regulation of credit and currency, the mechanism by which such control is exercised, the expansion and contraction of credit, the mitigation of general economic fluctuations, the control of exchange operations, the advisory function of the Bank, and its duties as the Government's banker. An article on the wartime functions of a central bank appears at pp. 803-806 of the 1942 Year Book.

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 (the chartered-bank note issue has been gradually retired) and has enlarged the cash reserves of the chartered