

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, p. 1029.

8.—Annual Averages of Cash Reserves of the Chartered Banks, 1940-49

NOTE.—Figures, to nearest million, supplied by the Bank of Canada. Cash reserves include notes and deposits with the Bank of Canada. Figures for the years 1926-39 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
	\$	\$		\$	\$
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
1942.....	342,000,000	340,000,000	1947.....	670,000,000	665,000,000
1943.....	423,000,000	413,000,000	1948.....	711,000,000	705,000,000
1944.....	538,000,000	527,000,000	1949.....	746,000,000	748,000,000

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 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 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 Government of Canada, provincial government and municipal securities were relatively insignificant prior to the War of 1914-18.