

# CHAPTER XXV.—CURRENCY AND BANKING; MISCELLANEOUS COMMERCIAL FINANCE

## CONSPECTUS

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NOTE.—*The interpretation of the symbols used in the tables throughout the Year Book will be found facing p. 1 of this volume.*

## PART I.—CURRENCY AND BANKING

A historical sketch of currency and banking in Canada, tracing certain features of the central banking system that finally led up to the establishment of the Bank of Canada appears at pp. 900-905 of the 1938 Year Book. In chronological order these were:—

(1) *Central Note Issue*, permanently established with the issue of Dominion notes under legislation of 1868.

(2) *The Canadian Bankers' Association*, established in 1900 and designed to effect greater co-operation among the banks in the issue of notes, in credit control and in various aspects of bank activities.

(3) *The Central Gold Reserves*, established by the Bank Act of 1913.

(4) *Rediscount Facilities*, originated as a war measure by the Finance Act of 1914, and made a permanent feature of the system by the Finance Act of 1923. This Act empowers the Minister of Finance to issue Dominion notes to the banks on deposit by them of approved securities, thus providing the banks with a means of increasing their legal tender cash reserves at will.

### Section 1.—The Bank of Canada

**The Bank of Canada Act and Its Amendments.**—The Bank of Canada was incorporated in 1934 and commenced operations on Mar. 11, 1935. An account of the capital structure of the Bank and its transition from a privately owned institution to one wholly government owned is given at p. 800 of the 1941 Year Book.

The Bank is authorized to pay cumulative dividends of  $4\frac{1}{2}$  p.c. per annum from its profits after making such provision as the Board thinks proper for bad and doubtful debts, depreciation in assets, pension funds, and all such matters as are properly provided for by banks. The Act provided that the remainder of the