

Section 2.—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 gradually the issue of their own bank notes 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 notes after Jan. 1, 1945, and in January 1950 the chartered banks' liability for such of their notes issued for circulation in Canada, as then remained outstanding, was transferred to the Bank of Canada in return for payment of a like sum to the Bank of Canada.

The classification of Bank of Canada notes in circulation, by denomination, shown in Table 3 for 1950 and 1951 is not strictly comparable with the classification for earlier years. Dominion notes have been excluded from the denomination classification and their total only is shown. Also, an item has been added showing the outstanding chartered bank notes issued originally for circulation in Canada. The statistics of total notes in the hands of the general public are comparable with earlier years.

3.—Classification of Bank of Canada Notes, by Denomination, and Other Notes in Circulation, 1950 and 1951

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	1950	1951
	\$	\$
\$1.....	45,910,769	48,809,962
\$2.....	34,243,030	35,911,842
\$5.....	103,833,274	107,085,457
\$10.....	404,655,684	422,317,512
\$20.....	323,572,326	353,237,484
\$25.....	46,614	46,565
\$50.....	104,392,817	108,221,783
\$100.....	244,904,066	258,018,267
\$500.....	170,875	139,583
\$1,000.....	13,735,750	10,183,083
Totals.....	1,275,465,205	1,343,971,538
Provincial notes.....	27,568	27,568
Dominion notes.....	4,713,347	4,696,543
Defunct bank notes.....	88,429	88,380
Chartered bank notes ¹	12,944,361	11,895,393
Grand Totals.....	1,293,238,910	1,360,679,422

¹ In January 1950 the chartered banks' liability for such of their notes, issued for circulation in Canada, as then remained outstanding, was transferred to the Bank of Canada.