

in July 1935. The reserves are valued at the current market price of gold and are shown under the item "Reserves" in the "Assets" section of Table 1, p. 1098. As explained in the footnote to that table, under the Exchange Fund Order of Apr. 30, 1940, the gold reserves of the Bank of Canada were transferred to the Exchange Fund Account but the requirement that the Bank should maintain a reserve of gold equal to not less than 25 p.c. of its total note and deposit liabilities in Canada was suspended.

Chartered Bank Cash Reserves.—Until March 1935, legal tender cash reserves in Canada were made up partly of Dominion notes, partly of gold coin and bullion, and subsidiary coin, including these forms of cash held by the banks and as deposits in the Central Gold Reserves. In so far as these reserves were in actual gold or were in Dominion notes backed by gold, they were subject, so long as Canada was on the gold standard, to the expanding or contracting influences of monetary gold imports or exports arising from Canada's balance of international payments.

When the Bank of Canada was established, the chartered banks turned over their reserves of gold in Canada and Dominion notes to the new bank in exchange for deposits with, and notes of, the Bank of Canada and it was provided that, henceforth, the chartered 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" in Section 1, p. 1095.

26.—Annual Averages of Cash Reserves of the Chartered Banks, 1942-51

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 1926-41 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
	\$	\$		\$	\$
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
1945.....	603,000,000	593,000,000	1950.....	755,000,000	754,000,000
1946.....	672,000,000	673,000,000	1951.....	791,000,000	783,000,000

Section 5.—Foreign Exchange

Exchange Rates.—The Canadian dollar, adopted as Canada's currency in 1857, was equivalent to 15/73 of the pound sterling; in other words, the pound was equal to \$4.866 in Canadian currency at par, and remained so, with minor variations between the import and export gold points representing the cost of shipping gold in either direction, until the outbreak of World War I. During the first 11 years after Confederation, the Canadian dollar was at a premium in the United States, as the United States dollar was not, after the Civil War, redeemable in gold until 1878. From the latter date, the dollar in the two countries was equivalent at par, and variation was only between the import and export gold points or under \$2 per \$1,000.