liabilities. The deposit liabilities of the banks, except for those payable to the Government, are, of course, assets of the general public and, together with currency, comprise their most liquid assets. (*See* pp. 1194-1196 for discussion of general public holdings of liquid assets.)

Open market operations in Government of Canada securities constitute the chief means by which the Bank of Canada influences the volume of chartered banks' reserves. When the Bank of Canada purchases a security it issues a cheque in settlement which, after it is cashed at, or deposited with, a chartered bank by the recipient, is in turn deposited by that chartered bank in its account with the Bank of Canada, thereby increasing its cash reserves. Conversely, when the Bank of Canada sells a security, the cheque which it receives in payment is charged against the account of the chartered bank on which it is drawn thus decreasing that bank's cash reserves. Increases or decreases in other assets and liabilities of the Bank of Canada also have an effect on the chartered banks' cash reserves. For example, an increase in the amount of Bank of Canada notes held by the general public tends to reduce the banks' cash reserves.

The Bank of Canada Act was revised in 1936, 1938 and 1954. The major amendments in 1954 (*see also* pp. 1197-98) were the following:—

(1) The Bank of Canada was given the power to vary the minimum cash reserve requirements of the chartered banks between 8 p.c. and 12 p.c. of their Canadian dollar deposit liabilities, provided that the chartered banks are given a minimum period of one month's notice before each increase becomes effective and that any increase is not more than 1 p.c. during any one month. When this legislation became effective on July 1, 1954, the initial requirement was 8 p.c.

(2) Restrictions regarding the maximum amount of Bank of Canada holdings of securities issued or guaranteed by Canada or any province were removed. Prior to July 1, 1954, the Bank's holdings of these securities which did not mature within two years were limited to 50 p.c. of the Bank's outstanding note issue and deposit liabilities and holdings of these securities, which did not mature within 10 years, were limited to an amount equal to five times the paid-up capital and rest fund of the Bank.

(3) Provision was made for one-fifth of the annual profits of the Bank to be appropriated to the rest fund until it reaches $25,000,000. At the same time the provision for the Bank to pay from its profits cumulative dividends of 4½ p.c. per annum on the capital stock was removed. (This means that the Bank's profits, except for allocations to the rest fund, will in future be transferred to the Government in a single payment rather than part in the form of a dividend and the balance in another payment.)

The Bank may make loans or advances for periods not exceeding six months to chartered banks, or to banks to which the Quebec Savings Bank Act applies, on the pledge or hypothecation of certain classes of securities. Loans or advances on the pledge or hypothecation of readily marketable securities issued or guaranteed by Canada or any province may be made to the Government of Canada or the