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 powers of the Bank are set forth in the Bank of Canada Act 1934 (R.S.C. 1952, c. 13), revisions to which were made in 1936, 1938 and 1954. Some of these powers are outlined below.

The Bank of Canada may 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 notice period of one month 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 June 1, 1954 the initial requirement was 8 p.c. and it has since remained at that level.

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 government of any province for periods not exceeding six months. Other loans may be made to the Government of Canada or the government of any province in amounts not exceeding a fixed proportion of such government's revenue; such loans must be repaid before the end of the first quarter after the end of the fiscal year of the borrower.

The Bank of Canada is required to make public at all times the minimum rate at which it is prepared to make loans or advances.

This rate, known as the Bank Rate, stood at 2 p.c. per annum from Oct. 17, 1950 to Feb. 14, 1955 when it was reduced to 1½ p.c. At that time the Bank issued a statement noting in part that "In the past, Bank Rate has been changed infrequently in Canada and little use has been made of the Bank's facilities. The growth in the breadth and scale of activity in the short term money market over the past two years has made it desirable that the Bank Rate be made flexible and bear a closer (though not fixed) relation to other short term interest rates. The present adjustment will help to make Bank Rate a more significant factor in the money market and facilitate its more flexible use in the future as circumstances may require. While the structure of short term interest rates, including Bank Rate, provides an index of monetary conditions, it does not follow that every change in Bank Rate or in the level of other short rates necessarily indicates a change in general economic conditions." The Bank Rate was raised to 2 p.c. on Aug. 5, 1955, to 2¼ p.c. on Oct. 12, 1955 and to 2¾ p.c. on Nov. 18, 1955. The rate was increased to 3 p.c. on Apr. 4, 1956 and to 3¼ p.c. on Aug. 10, 1956.

The Bank has the sole right to issue paper money for circulation in Canada. Details regarding the note issue are given on pp. 1105-1106.

The Bank acts as the fiscal agent for the Government of Canada in the payment of interest and principal and generally in respect of the management of the public debt of Canada.

The Bank may buy and sell securities issued or guaranteed by Canada or any province, short term securities issued by the United Kingdom, treasury bills or other obligations of the United States, and certain classes of short term commercial paper. The Bank is