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 in 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 $1\frac{1}{2}$ p.c. It was raised to 2 p.c. on Aug. 5, 1955, to $2\frac{1}{4}$ p.c. on Oct. 12, 1955, to $2\frac{3}{4}$ p.c. on Nov. 18, 1955, to 3 p.c. on Apr. 4, 1956, to $3\frac{1}{4}$ p.c. on Aug. 10, 1956, and to $3\frac{1}{2}$ p.c. on Oct. 17, 1956. Effective Nov. 1, 1956, the Bank of Canada announced that henceforth until further notice the Bank Rate would be established weekly at a fixed margin of $\frac{1}{4}$ of 1 p.c. above the latest weekly average tender rate for 91-day treasury bills. The Bank Rate rose from 3.92 p.c. at the end of 1956 to a high of 4.33 p.c. in August 1957 and then declined to 3.87 p.c. at the year-end.

The Bank has the sole right to issue paper money for circulation in Canada. Details regarding the note issue are given on p. 1140.

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 authorized by the Industrial Development Bank Act to purchase bonds and debentures issued by the Industrial Development Bank. The Bank may buy and sell gold, silver, nickel and bronze coin, and gold and silver bullion, and may also deal in foreign exchange. The Bank may accept deposits that do not bear interest from the Government of Canada, the government of any province, any chartered bank or any bank to which the Quebec Savings Bank Act applies. The Bank does not accept deposits from individuals and does not compete with the chartered banks in commercial banking fields.

Sect. 23 of the Bank of Canada Act provides that the Bank shall maintain a reserve of gold equal to not less than 25 p.c. of its outstanding notes and deposit liabilities. This requirement was suspended in 1940 when, under the terms of the Exchange Fund Order, the Bank's gold holdings were transferred to the Exchange Fund Account to form part of Canada's official gold and United States dollar reserves. The Currency, Mint and Exchange Fund Act passed in 1952 provides that, notwithstanding Sect. 23 of the Bank of Canada Act, the Bank of Canada is not required to maintain a minimum or fixed ratio of gold or foreign exchange to its liabilities unless the Governor in Council otherwise prescribes.