

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 in the 1938 Year Book, pp. 900-905. Those features of the development which then became permanent are outlined in the 1941 Year Book, pp. 809-810.

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 re-issue 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.

2.—Bank of Canada Note Liabilities and Other Notes in Circulation, as at Dec. 31, 1950 and 1956-58

Denomination	1950	1956	1957	1958
	\$'000	\$'000	\$'000	\$'000
Bank of Canada Notes—				
\$1.....	50,273	70,270	72,589	75,873
\$2.....	37,279	50,371	51,952	53,597
\$5.....	111,731	138,004	139,839	143,010
\$10.....	429,886	528,741	528,575	533,078
\$20.....	346,060	555,755	582,163	627,814
\$25.....	47	46	46	46
\$50.....	108,735	134,381	134,803	143,606
\$100.....	254,457	364,052	365,479	391,629
\$500.....	160	58	51	49
\$1,000.....	11,489	13,233	14,661	15,928
Totals.....	1,350,117	1,854,912	1,890,159	1,934,630
Chartered banks' notes ¹	12,487	9,025	8,799	8,655
Dominion of Canada notes ¹	4,702	4,651	4,648	4,645
Provincial notes ¹	28	28	28	28
Defunct banks' notes ¹	88	88	88	88
Totals, Bank of Canada Note Liabilities.....	1,367,422	1,868,704	1,903,721	1,998,046
Held by—				
Chartered banks.....	231,306	370,938	348,606	338,176
Others.....	1,136,116	1,497,766	1,555,115	1,659,870

¹ Note issues in the process of being retired, the liability for which has been taken over by the Bank of Canada from the original issuers.