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

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.

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 has the sole right to issue paper money for circulation in Canada. Details regarding the note issue are given on p. 1132.

The Bank of Canada may vary the minimum cash reserve requirement 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 July 1, 1954 the requirement was 8 p.c. and it has since remained at that level. (Prior to July 1, 1954, each chartered bank was required to maintain at all times cash reserves equal to not less than 5 p.c. of its Canadian dollar deposit liabilities; in practice the chartered banks as a group normally worked to a ratio of about 10 p.c.)

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 is known as the Bank Rate. Since Nov. 1, 1956 the Bank Rate has been 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.

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.