

Section 2.—Currency

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.

3.—Bank of Canada Note Liabilities and Other Notes in Circulation, as at Dec. 31, 1958-62

Denomination	1958	1959	1960	1961	1962
	\$'000	\$'000	\$'000	\$'000	\$'000
Bank of Canada Notes—					
\$1.....	75,873	78,402	81,733	86,114	91,426
\$2.....	53,597	55,076	57,622	60,640	63,837
\$5.....	143,010	144,702	149,545	156,501	162,643
\$10.....	533,078	521,309	519,559	533,041	548,442
\$20.....	627,814	647,276	676,549	719,713	766,974
\$25.....	46	46	46	46	46
\$50.....	143,606	145,461	147,596	152,106	155,938
\$100.....	391,629	395,383	396,328	407,307	413,460
\$500.....	49	46	41	38	37
\$1,000.....	15,928	19,549	19,547	18,198	17,951
Totals.....	1,984,630	2,007,250	2,048,567	2,133,704	2,220,755
Chartered banks' notes ¹	8,655	8,519	8,423	8,363	8,314
Dominion of Canada notes ¹	4,645	4,641	4,638	4,637	4,637
Provincial notes ¹	28	28	28	28	28
Defunct banks' notes ¹	88	88	88	88	88
Totals, Bank of Canada Note Liabilities...	1,998,046	2,020,525	2,061,743	2,146,820	2,233,822
Held by—					
Chartered banks.....	338,176	315,703	329,841	346,630	416,845
Others.....	1,659,870	1,704,822	1,731,902	1,800,190	1,816,977

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.