

CHAPTER XXV.—BANKING, OTHER COMMERCIAL FINANCE AND INSURANCE

CONSPECTUS

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The interpretation of the symbols used in the tables throughout the Year Book will be found on p. viii of this volume.

PART I.—BANKING AND OTHER COMMERCIAL FINANCE

Section 1.—Banking

Subsection 1.—The Bank of Canada*

The Bank of Canada is Canada's central bank. It was incorporated under the Bank of Canada Act in 1934 and commenced operations on Mar. 11, 1935. The Act of Parliament which established the central bank charged it with the responsibility for regulating "credit and currency in the best interests of the economic life of the nation", and conferred on it certain specific powers for discharging this responsibility. Through the exercise of these powers, the Bank of Canada determines broadly the combined total of the basic forms of Canadian money held by the community—currency outside banks plus deposit balances in chartered bank accounts.

By virtue of the provisions of the Bank of Canada Act, which enable the central bank to increase or decrease the total amount of cash reserves available to the chartered banks as a group, the Bank of Canada is able to determine broadly the over-all level of the total assets and deposit liabilities of the group, and hence of the combined total of currency and bank deposits. The Bank Act requires that each chartered bank maintain a minimum amount of cash reserves in the form of deposits at the Bank of Canada and holdings of Bank of Canada notes. This minimum requirement is 8 p.c. of the bank's total Canadian

* Revised by the Research Department of the Bank of Canada.