

**Subsection 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, as at Dec. 31, 1960-64**

Denomination	1960	1961	1962	1963	1964
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Bank of Canada Notes—</b>					
\$1.....	81,733	86,114	91,426	94,853	97,742
\$2.....	57,622	60,640	63,837	66,670	68,768
\$5.....	149,545	156,501	162,643	167,743	172,752
\$10.....	519,559	533,041	548,442	558,688	574,516
\$20.....	676,549	719,713	766,974	811,119	841,002
\$25.....	46	46	46	46	46
\$50.....	147,596	152,106	155,938	158,277	163,419
\$100.....	396,328	407,307	413,460	415,563	429,093
\$500.....	41	38	37	37	34
\$1,000.....	19,547	18,198	17,951	18,603	20,181
<b>Totals.....</b>	<b>2,048,567</b>	<b>2,133,704</b>	<b>2,220,755</b>	<b>2,291,600</b>	<b>2,367,553</b>
Note issues in process of retirement <sup>1</sup> .....	13,177	13,116	13,067	13,044	13,006
<b>Totals, Bank of Canada Note Liabilities....</b>	<b>2,061,743</b>	<b>2,146,820</b>	<b>2,233,822</b>	<b>2,304,644</b>	<b>2,380,559</b>
<b>Held by—</b>					
Chartered banks.....	329,841	346,630	416,845	418,405	355,086
Others.....	1,731,902	1,800,190	1,816,977	1,886,239	2,025,473

<sup>1</sup> Includes, in 1964, chartered banks' notes \$8,253, Dominion of Canada notes \$4,637, provincial notes \$28 and defunct banks' notes \$38; these amounts have changed little in recent years.