

**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, 1962-66**

Denomination	1962	1963	1964	1965	1966
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Bank of Canada Notes—</b>					
\$1.....	91,426	94,853	97,742	103,115	109,846
\$2.....	63,837	66,670	68,768	73,328	78,874
\$5.....	162,643	167,743	172,752	183,057	196,893
\$10.....	548,442	558,688	574,516	608,351	668,153
\$20.....	766,974	811,119	841,062	904,872	983,765
\$25.....	46	46	46	46	46
\$50.....	155,938	158,277	163,419	173,580	188,131
\$100.....	413,460	415,563	429,093	453,687	471,550
\$500.....	37	37	34	33	33
\$1,000.....	17,951	18,603	20,181	22,597	23,377
<b>Totals.....</b>	<b>2,220,753</b>	<b>2,291,600</b>	<b>2,367,553</b>	<b>2,522,666</b>	<b>2,720,668</b>
Note issues in process of retirement <sup>1</sup> .....	13,067	13,044	13,006	12,984	12,966
<b>Totals, Bank of Canada Note Liabilities....</b>	<b>2,233,822</b>	<b>2,304,644</b>	<b>2,380,559</b>	<b>2,535,650</b>	<b>2,733,634</b>
<b>Held by—</b>					
Chartered banks.....	418,845	418,405	355,086	382,703	438,090
Others.....	1,816,977	1,886,239	2,025,473	2,152,947	2,295,544

<sup>1</sup> Includes, in 1966, chartered banks' notes \$3,214, Dominion of Canada notes \$4,637, provincial notes \$28 and defunct banks' notes \$38; these amounts have changed little in recent years.