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19.1.2 Currency

Note circulation. The development by which bank notes became the chief circulating medium in Canada prior to 1935 is described in the *1938 Canada Year Book*, pp. 900-905. Those features of the development which then became permanent are outlined in the *1941 Canada 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% of their paid-up capital on March 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 January 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.

Bank of Canada note liabilities for the years 1970-72 are given in Table 19.4. Note circulation in public hands as at December 31, 1972 amounted to \$4,055.7 million, compared to \$3,505.8 million in 1971 and \$3,106.2 million in 1970.

Dollar currency and bank deposits. Bank of Canada statistics concerning currency and chartered bank deposits are given in Table 19.5.

19.1.3 Coinage

Under the Currency and Exchange Act (RSC 1970, c.C-39), gold coins may be issued in the denomination of \$20 (nine tenths fine or millesimal fineness 900); subsidiary coins in denominations of \$1, 50 cents, 25 cents, ten cents (five tenths fine or millesimal fineness 500, or pure nickel); pure nickel five-cent coins; and bronze (copper, tin and zinc) one-cent coins. Provision is made for the temporary alteration of composition in the event of a shortage of prescribed metals. A tender of payment of money in coins is a legal tender in the case of gold coins issued under the authority of Section 4 of the Currency and Exchange Act for the payment of any amount; in the case of silver coins for the payment of an amount up to \$10; nickel coins for payment up to \$5; and bronze coins up to 25 cents.

Table 19.6 gives figures for the value of Canadian coins in circulation. Receipts of gold bullion at the Royal Canadian Mint and bullion and coinage issued are given in Table 19.7.

The Ottawa Mint, established as a branch of the Royal Mint under the (Imperial) Coinage Act of 1870, was opened on January 2, 1908. On December 1, 1931, it became the Royal Canadian Mint and operated as a branch of the Department of Finance. The Mint was established as a Crown (agency) corporation in 1969 to allow for a more industrial type of organization and for flexibility in producing coins of Canada and other countries; buying, selling, melting, assaying and refining gold and precious metals; and producing medals, plaques and other devices.

Financial and budgeting arrangements are similar to those of other Crown companies carrying on industrial or commercial operations. Loans are made from the Consolidated Revenue Fund for operating and capital expenses, with the total outstanding at any time limited to \$35 million. Provision is made for loans for temporary purposes and a reserve is established against losses. Operations are conducted with the aim of making a small profit.

On December 16, 1971, a decision was made by the Cabinet to locate a new plant for the production of coin for general circulation in the Winnipeg area of Manitoba. Work on the site