

Canada wishes to introduce or increase the secondary reserve requirement, one month's notice to the chartered banks is required; the amount of any increase in the requirement cannot exceed 1% a month. In the case of a lowering of the secondary reserve requirement, however, the percentage change in any one month is not restricted.

The Bank of Canada may make loans or advances for periods not exceeding six months to chartered banks, or to banks to which the Quebec Savings Bank Act applies, on the pledge of certain classes of securities. Loans or advances may be made under certain conditions and for limited periods to the Government of Canada or of any province. The Bank of Canada is required to make public at all times the minimum rate at which it is prepared to make loans or advances; this rate is known as the bank rate. From November 1, 1956 until June 24, 1962, the bank rate was established weekly at a fixed margin of one quarter of 1% above the latest weekly average tender rate for 91-day treasury bills. Bank rates since October 12, 1962 have been fixed from time to time and are given in Table 19.1. The rate as at March 8, 1976 was 9.50% per annum.

On May 12, 1974 the Bank of Canada announced a change in its practice with respect to the maximum rate at which it is prepared to enter into purchase and sale agreements with money market dealers. The practice had been to set the Purchase and Resale Agreement (PRA) rate at $\frac{1}{4}$ of 1% above the average 91-day treasury bill rate at the latest weekly tender, subject to a minimum of bank rate minus $\frac{3}{4}$ of 1% and a maximum at the level of bank rate. Under the new practice the maximum PRA rate is bank rate plus $\frac{1}{2}$ of 1%.

Assets and liabilities of the Bank of Canada at December 31, 1973-75 are shown in Table 19.2. The bank is not required to maintain gold or foreign exchange reserves against its liabilities.

Prior to the 1967 amendment to the Bank of Canada Act, there existed some uncertainty about the exact relationship between the central bank and the government. The changes in the Bank of Canada Act in 1967 were designed to clarify this matter. They provide for regular consultation between the Governor of the Bank of Canada and the Minister of Finance as well as for a formal procedure whereby, in the event of a disagreement between the government and the central bank which cannot be resolved, the government may, after further consultation has taken place, issue a directive to the Bank of Canada as to the monetary policy that it is to follow. Any such directive must be in writing, it must be in specific terms, and it must be applicable for a specified period. It must be published immediately in the *Canada Gazette* and tabled in Parliament. The amendment makes it clear that the government must take the ultimate responsibility for monetary policy and it provides a mechanism for that purpose but the central bank is in no way relieved of its responsibility for monetary policy and its execution.

The Bank of Canada is under the management of a board of directors composed of the Governor, the Deputy Governor and twelve directors. The Governor and Deputy Governor are appointed for terms of seven years each by the directors, with the approval of the Governor in Council. The directors are appointed by the Minister of Finance, with the approval of the Governor in Council, for terms of three years each. The Deputy Minister of Finance is a member of the board but does not have the right to vote. There is an executive committee of the board composed of the Governor, the Deputy Governor, two directors and the Deputy Minister of Finance (who is without a vote); this committee has the same powers as the board except that its decisions must be submitted to the board at its next meeting. In addition to the Deputy Governor who is a member of the board, there may be one or more deputy governors appointed by the Board of Directors to perform such duties as are assigned by the board.

The head office of the Bank of Canada is in Ottawa. It has agencies in Halifax, Saint John, Montreal, Ottawa, Toronto, Winnipeg, Regina, Calgary and Vancouver and is represented in St. John's and Charlottetown.