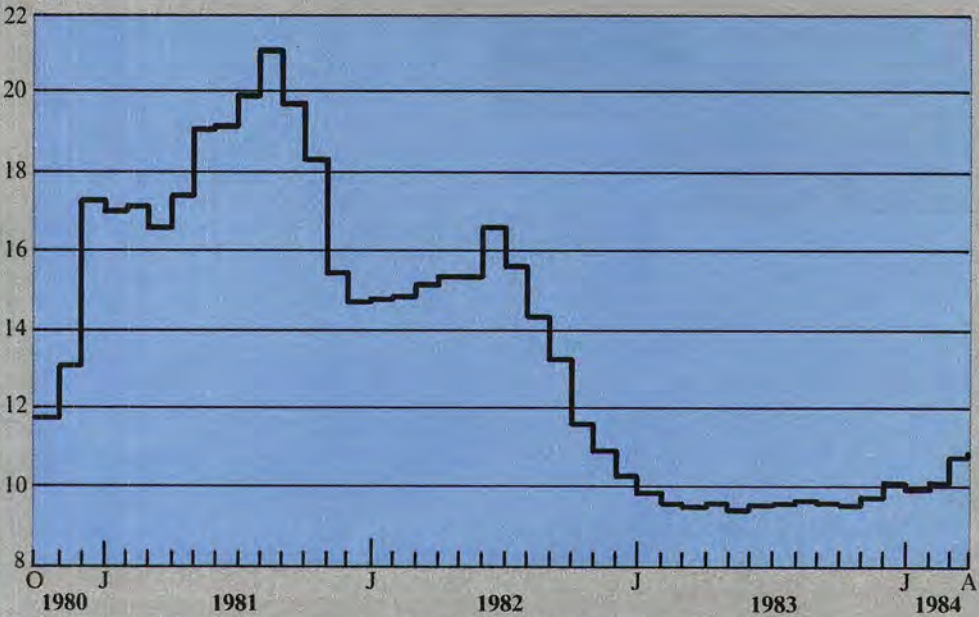


Chart 18.1

Bank rate of the Bank of Canada

Percentage



provides short-term accommodations as a lender of last resort to investment dealers who are money market "jobbers". From May 12, 1974 to March 12, 1980 the PRA rate was $1/4$ of 1% per annum above the average rate on 91-day treasury bills at the latest weekly tender, subject to a minimum of bank rate minus $3/4$ of 1% and a maximum of bank rate plus $1/2$ of 1%. Effective March 13, 1980 the rate at which the Bank of Canada has entered into these agreements has been the bank rate.

Assets and liabilities of the Bank of Canada at December 31, 1979-83 are shown in Table 18.2. The bank is not required to maintain gold or foreign exchange reserves against its liabilities.

Although the Bank of Canada operates with a large measure of independence, this does not mean that the government has been relieved of the ultimate responsibility for the general thrust of monetary policy. The Bank of Canada Act provides for regular consultation between the governor of the Bank of Canada and the finance minister 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 consultation, issue a directive to the Bank of Canada on the monetary policy to follow. Any such directive must be in writing, in specific

terms, and applicable for a specified period. It must be published immediately in the *Canada Gazette* and tabled in Parliament. This provision of the act makes it clear that the government must take ultimate responsibility for monetary policy but that the central bank is in no way relieved of its responsibility so long as a directive is not in effect. Such a directive has never been issued.

The Bank of Canada Act provides that the bank shall be under the management of a board of directors composed of a governor, a deputy governor and 12 directors. The governor of the bank is its chief executive officer and is authorized to act in connection with the conduct of the bank's business in all matters not specifically reserved to the board or to its executive committee. The directors are appointed for three-year terms by the finance minister with the approval of the Governor-in-Council. The directors, in turn, appoint the governor and deputy governor for seven-year terms, also with approval of the Governor-in-Council. The deputy minister of finance sits on the board but does not have a vote. Between its meetings, an executive committee composed of the governor, deputy governor, two to four directors and the deputy minister of finance (without a vote) acts for the board; it meets once a week.