

Quebec Savings Bank Act applies, or to other members of the Canadian Payments Association that maintain deposits with the Bank, on the pledge of certain classes of securities. Loans or advances may be made under certain conditions and for limited periods to the federal government or to any provincial government. The Bank must 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. Typically, the Bank Rate is administered directly by the Bank of Canada and is changed from time to time. However, during the period from November 1, 1956 to June 24, 1962 the Bank Rate was set at 1/4 of 1% above the weekly average tender rate of 91-day treasury bills issued by the Government of Canada. On March 10, 1980 the Bank of Canada again established that beginning on March 13, 1980 and until further notice, the Bank Rate would be set at 1/4 of 1% above the latest rate established at the weekly tender for 91-day treasury bills auctioned every Thursday. On November 20, 1986, the Bank Rate was 8.47%.

Purchase and resale agreements (PRA) are arrangements under which the Bank of Canada 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, 1981-85 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.

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 by other institutions in St. John's and Charlottetown. In addition there are representatives of head office departments in Montreal, Toronto, Edmonton and Vancouver.

18.1.2 Currency

When the Bank of Canada began operations in 1935 it assumed liability for Dominion notes outstanding. These were gradually replaced in public circulation and partly replaced in cash reserves by the Central Bank's legal tender notes. 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 reissue 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 with a concurrent adjustment to the banks' deposits at the Bank of Canada.

Bank of Canada note liabilities for the years 1981-85 are given in Table 18.3. Note circulation in public hands as at December 31, 1985 amounted to \$13.3 billion, compared to \$12.2 billion in 1984 and \$11.6 billion in 1983. Bank of Canada statistics concerning currency and chartered bank deposits are given in Table 18.4.