specific monetary targets. At the same time, it made clear that this decision did not involve a fundamental change in the Bank's approach to monetary policy. In deciding monetary policy, the Bank of Canada has always attached great importance to a wide range of economic statistics and financial market data that goes well beyond the performance of particular aggregates. In current circumstances, it relies on its analysis of a broad range of financial and economic variables, including the trend of total spending in the economy, and exchange rate developments, as well as the various monetary and credit aggregates, to come to judgments regarding monetary policy. The objective of monetary policy continues to be, however, a rate of monetary expansion sufficient to accommodate increasing utilization of Canada's economic resources in a context of improving price stability.

The Bank of Canada leaves the allocation of bank and other forms of credit to the private sector. Each chartered bank is free to attempt to gain as large a share as possible of the total cash reserves available by competing for deposits and to decide what proportion of its funds to invest in particular kinds of securities or loans to particular types of borrowers.

The Bank of Canada may buy or sell securities issued or guaranteed by Canada or any province, certain short-term securities issued by the United Kingdom, treasury bills or other obligations of the United States and certain types of short-term commercial paper. It may buy and sell gold, silver, nickel and bronze coin, or any other coin, and gold and silver bullion as well as foreign currencies and may accept non-interest-bearing deposits from the federal government or corporations and agencies of the federal government, the government of any province, any chartered bank, any bank regulated by the Quebec Savings Bank Act or any other member of the Canadian Payments Association. The Bank of Canada may open accounts in other central banks or in the Bank for International Settlements, as well as maintain accounts in commercial banks, to facilitate buying and selling foreign currencies; accept deposits from other central banks, the Bank for International Settlements, the International Monetary Fund, the International Bank for Reconstruction and Development, and any other official international financial organization; and pay interest on such deposits. It may also buy and sell Special Drawing Rights issued by the International Monetary Fund. The Bank of Canada does not accept deposits from individuals nor does it compete with the chartered banks in the commercial banking field. It acts as the fiscal agent for the federal government in payment of interest and principal, and generally in respect of the management of the public debt of Canada. The sole right to issue paper money for circulation is vested in the Bank.

The central bank also may require the chartered banks to maintain, in addition to the legal minimum cash reserve requirement, a secondary reserve which the Bank of Canada may vary within certain limits. The Bank has the power to alter the minimum secondary reserve ratio of the chartered banks between 0% and 12% of Canadian dollar deposit liabilities provided that it gives notice of at least one month before any increase is made and provided that it does not increase the ratio by more than one percentage point above 6% in any one month. Secondary reserves are cash reserves in excess of the minimum requirement, day-to-day loans to money market dealers, and treasury bills.

The Bank of Canada may make loans or advances for periods not exceeding six months to chartered banks, to banks to which the 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 was administered directly by the Bank of Canada and 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 announced 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.

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%.