

Functions of the Bank of Canada

1. Its major function is to regulate credit and currency in the interests of the economic life of the nation. From this responsibility flow its other functions, namely
2. to mitigate, so far as is possible by monetary action, dangerous fluctuations in the general level of production, trade, prices, and employment.
3. to act as a ready source of expert and impartial advice at the disposal of the government on economic and fiscal questions.
4. to act as the fiscal agent of the Dominion government, and, by agreement, as banker or fiscal agent for any provincial government.

Administration

The chief executive officer of the Bank of Canada is the Governor. He is chairman of the board of directors. The Governor is assisted by a Deputy Governor and an Assistant Deputy Governor. The original appointments were made by the government. Subsequent appointments are made by the board of governors, subject to the approval of the Cabinet.

Directors are appointed for terms of three years by the Minister of Finance. The Board is composed of eleven members, and meets at least four times each year.

The executive committee of the board of directors, consisting of the Governor, Deputy Governor, and one member of the Board, meets once each week, has the powers of the entire Board, but must submit all its decisions to the next meeting of the board of directors. The deputy minister of finance is ex officio member of both the board of directors and the executive committee, but without vote.

Only the Governor, or in his absence, the Deputy Governor, has authority to veto a decision of the Board or of its executive committee, subject to confirmation or disallowance by the Cabinet.

The Governor submits an annual report and a statement of accounts to the minister of finance.

Bank of Canada notes

The Bank of Canada, when it began operations, assumed the liability for all Dominion notes outstanding, (about 185 million dollars) and these were replaced in public circulation by its own legal-tender notes and by cash reserves. The deposits of the chartered banks at the Bank of Canada completed the replacement of Dominion notes as cash reserves.

Chartered banks were required to reduce the issue of their own bank notes gradually during the period 1935-45 to an amount not in excess of 25 per cent of their paid-up capital. Bank of Canada notes were issued to replace chartered bank notes as the issue of the latter was reduced.

In 1944, note circulation privileges of the chartered banks were further restricted by cancelling their right to issue or re-issue notes in Canada after 1945; in 1950, liabilities for any chartered bank notes issued for circulation in Canada still outstanding will be transferred to the Bank of Canada, and Bank of Canada notes will constitute all the paper money in circulation.