(2) How much further could the Bank of Canada go to expand credit

Theoretically, (a) on the basis of gold held as at May 10, 1939, the Bank of Canada could expand its note and deposit liabilities by \$415 mm. without reducing the gold reserve ratio below 25%.

Apart from a possible increase in publicly held Bank of Canada notes, such an increase in note and deposit liabilities would increase banks' cash reserves by a similar amount.

(b) on the assumption either that the 25% minimum gold reserve ratio clause were suspended or that the Bank of Canada bought additional gold, there is no definite limit as to how far it could go in expanding banks' cash reserves.

(3) Effect of Bank of Canada operations on chartered bank cash reserves

CHARTERED BANK CASH RESERVE JUST PRIOR TO MARCH 11, 1935

Gold coin Dominion	and h notes	oull	ion 	 	 	• •		1.		•		•	 		 	115	\$ 37.5 1 \$177.8 1	
Total					 •			200					 	17.			\$215.3 1	mm.

This \$215.3 mm. of chartered bank cash reserves was transferred by the chartered banks to the Bank of Canada in exchange for Bank of Canada notes and deposits at the Bank of Canada. Involved in the setting up of the Bank of Canada there were various transactions affecting the amount of these cash reserves. The effect of these transactions and subsequent operations of the Bank of Canada on chartered bank cash, are shown in the following table.