

has in getting funds. I think this evil in part at least arises from the tendency of the banks to lend money to foreign individuals and corporations on transactions outside of Canada. I contend that the exigencies of the business situation in Canada call for some restriction on the banks loaning money abroad. The expansion of such loans may be dangerous to the country. I believe that the failure of some of the banks can be traced directly to their over-expansion of loans to foreign interests. Take the Sovereign bank, for instance, they loaned money to the extent of twice their capital to the Milwaukee and Chicago Railway Company and to a railway company in Alaska. The Farmers' Bank was involved in loans to a person having his domicile in New York state, a person associated with Travers and others interested in the bank. He was outside the jurisdiction of our courts and hard to get at. In my opinion that is a dangerous principle.

Mr. OLIVER: Was this amendment considered by the Banking and Commerce Committee?

Mr. SHARPE: It was defeated by only three votes—seventeen to fourteen.

Mr. AMES: Generally speaking, banks may be trusted to be extremely careful as to how much they shall loan and what proportion of their assets and capital they shall loan to any one person or corporation. They are as anxious to keep liquid and solvent as can be expected of them. Anything that tends to a limitation of the doing of a legitimate business by the banks tends to making banking more unprofitable and undesirable as a business investment. Banks find it necessary to have money in New York on call loan, and we know by experience that these call loans are of great advantage to the country in times of stress. When there is a great demand for money in Canada at certain times, it is possible to recall this money which is on call loan without having to ask Canadian borrowers to reimburse their loans. In the stringency of 1907, from \$24,000,000 to \$25,000,000 was brought back from New York and rendered available in Canada to keep faith with our Canadian borrowers. Take a concrete instance. We have a bank here, the Bank of Ottawa, with a capital of \$3,900,000. You are going to say to that bank: You shall not loan more than \$390,000 to any single customer outside of Canada. But it might be a very profitable thing for the Bank of Ottawa to have an agency in New York through which they could make call loans. Suppose that a perfectly solvent customer wanted half a million dollars on call. That

Mr. SHARPE (North Ontario).

money could be recalled at any time on twenty-four hours' notice. Everybody knows that it is difficult to get call loan money in Canada, but in New York a transaction of half a million dollars is a mere bagatelle, many concerns being able to handle it. The Bank of Ottawa has total assets of about \$50,000,000. If it were given power to loan even one per cent of its total assets to a foreign borrower it would be able to loan a larger sum than under the limitation here proposed. Some of our banks do business in Cuba and the West Indies. We learned in the Banking and Commerce Committee that that business was very profitable for Canada in two ways: Canadian merchants who are pushing into that field find it extremely valuable to have their banking connections there to help them in giving credit; and it is found that the deposits in Cuba and elsewhere far exceed the loans, thus making it possible for a large sum of money, their surplus of deposits over loans, to be placed in New York and available for the call loan market and to be withdrawn in case of stringency in Canada. There are always large enterprises that have to be temporarily financed. In the case of a big bank like the Bank of Ottawa with a assets of \$50,000,000, to say that it could not finance an enterprise to the amount of more than \$400,000 at one time would curtail unnecessarily the enterprise of that bank.

Mr. CARVELL: My hon. friend from St. Antoine (Mr. Ames) has presented the case from the bankers' standpoint, I admit, in a fair way and with a good deal of logic, I do not see how the committee can adopt the amendment of the hon. member for North Ontario (Mr. Sharpe) as it stands, because we know that the Royal Bank, and I think the Bank of Nova Scotia and some others, have branches in Cuba and the British West India Islands, and I do not think it would be right to say that they cannot loan more than ten per cent of their capital even though they might be doing more than ten per cent of their business there. But in principle I believe the hon. member for North Ontario is right, notwithstanding the very able argument to the contrary of the member for St. Antoine. The member for St. Antoine says that it is of great advantage to Canada to have money on call loan in New York. We had this argument advanced in the Banking and Commerce Committee, we have heard it in this House, and we read it in the newspapers—that every time that money gets tight it is advantageous to have money in New York to draw on. But I find that the time when we in Canada want the money is the very time when the banks want the money to send to New York. It is of no advantage to us to have money in New York when our bona fide business is strained for want of it. I have a clear recollection of the conditions in 1907.