

By Mr. Noseworthy:

Q. I have one further question. A few moments ago you suggested Bill 134 should carry a provision for crop failure. Quite evidently that would involve a temporary loss to a bank. My question is, can this be properly handled by any other type of bank than a government-owned bank, or a loan that is backed by a government guarantee? Could you expect a privately-owned bank to accept that temporary loss for crop failure unless there is either one of two things? Either it is a government-owned bank or secondly there is a government guarantee to reimburse the privately owned bank for the loss?—A. I am not asking that that loss would be sustained except they would lose the use of a certain amount of capital and the interest which should be paid in that particular year. It would be a loss to the bank to that extent. My suggestion is you put the payment back one more year. It is true in that particular year they would sustain a certain proportion of loss in that they did not get the due principal for that particular year, and the interest amount due in that year. There would be a loss of the use of the amount that should be paid in. Whether the government has taken that into consideration in this 10 per cent limit they confine themselves to in dealing with that particular angle I do not know.

Mr. SLAGHT: We allow them to write that loss off and charge it to operating expenses in the current year. They have been doing that regularly and going along with a good reserve.

By Mr. Noseworthy:

Q. I noticed in your brief that you likened the banking system to the postal service in that they both render a very necessary and very important public function. I should like to call your attention before I close to the fact that in 1943 the banking system had on loan to private enterprise \$970,000,000 whereas their holdings of public securities in the same year were \$2,627,000,000 which would mean, according to my way of thinking, that the banks already have practically somewhere between 28 and 30 per cent of their business in government business.

The CHAIRMAN: Have you concluded your examination?

Mr. NOSEWORTHY: Yes.

By Mr. Tucker:

Q. Mr. Bickerton, I suppose you are aware that a penalty clause was placed in the Bank Act in regard to banks charging higher than the legal rate in the last revision. I think that is correct?

Mr. TOMPKINS: In 1934.

By Mr. Tucker:

Q. You were aware of that, were you?—A. Yes.

Q. And I think once that penalty clause was placed in the Act the banks ceased their practice of violating the law?—A. Yes.

Q. So that there is no objection on that score for the past ten years?

Mr. KINLEY: It cancelled the debt they charged.

Mr. TUCKER: Now there is a penalty clause they cannot recover the debt but before, although it said very specifically they should not charge more than 7 per cent, because there was no penalty they could collect the debt, plus interest at the legal rate, and the banks took advantage of that up until 1934 but since that date there is no complaint on that score?

The WITNESS: No, I do not think there is. It has altered in the last number of years.