

## APPENDIX No. 1

classes of securities deposited should exceed in value the amount of the loans. The schedule is as follows:

Against Dominion of Canada Treasury Bills and Bonds—advances to be made dollar for dollar of the par value;

Against bonds guaranteed as to principal and interest by the Government of the Dominion of Canada—a margin of 10 per cent on the market value;

Against British Government Treasury Bills and Bonds—a margin of 10 per cent on the market value;

Against short-term securities, not exceeding one year, of the Governments of the Provinces of Canada—a margin of 10 per cent on the market value;

Against other securities of the Provinces of Canada and securities carrying the guarantee, as to principal and interest, of the provinces of Canada—margin of 15 per cent on the market value;

Against bonds of Canadian municipalities—a margin of 20 per cent on the market value;

Against assignments secured by documents—covering grain, flour, cereals and feed—a margin of 25 per cent;

*By the Acting Chairman:*

Q. Against their market value?—A. Assignments would have no market value. 25 per cent of the amount loaned, the amount involved.

*By Mr. Shaw:*

Q. That is, the amount loaned by the banks?—A. Yes. There would be no listed market rate on that.

*By the Acting Chairman:*

Q. Suppose the bank had advanced \$1,000 on a bill of lading of 1,000 bushels of wheat?—A. Yes.

Q. And at the time of the advance by the bank wheat was worth say \$1.10 a bushel. Then, under your Act, you would advance up to \$750 on that bill of lading?—A. Yes.

Q. That would give you a margin of more than 25 per cent as of the value of the wheat at the time when the original advance was made by the bank. If wheat went down, your margin might be cut down too.—A. But, Mr. Chairman, the bank takes that risk.

Q. What I wanted to make clear was this; it is 25 per cent below what the bank has advanced against the security, not against the value of the security upon which the bank has advanced?—A. Yes.

*By Mr. Shaw:*

Q. The bank may have advanced altogether too much, in which case the Finance Department will have a 25 per cent margin to work on. It has no relationship to the value of the goods at all?—A. No.

Against commercial paper endorsed by the bank to the order of the Minister of Finance—a margin of 25 to 35 per cent as the Minister may determine.

In tendering securities, the bank usually submits its own valuations thereof which are checked by the departmental officials against current market quotations and such other information as is at its disposal, including the valuations placed upon insurance, trust and loan companies' investments by the Superintendent of Insurance.