

stricted in the amount of interest they can charge the borrower in the state of New York to 6 per cent, and in the majority of the states to 6 per cent, while in this country they are not restricted. If they have \$5,000,000 capital they immediately get another \$5,000,000, which is \$10,000,000, and they can charge as high as 10, 12 and even 24 per cent on the double amount. There is the difference between the two countries in that respect. We have no government restrictions in regard to circulation. I know what the answer is. The answer is: You do not require it, because the Canadian Bankers' Association will look after that. We do know that the banks of this country have exceeded their circulation to an enormous extent and have brought about disaster. We have in Canada no reserve whatever for deposits. Critics of the American system must remember that when a man goes into a national bank, say in New York city, and deposits \$1,000, \$250 in gold is immediately put away to protect that \$1,000. During the panic of 1907 there was not a bank in the United States that did not show that it had its deposit reserve on hand. Every depositor is protected at the start. I am not advocating that we should have that reserve, because I believe our depositors are fairly well protected by the security they have in the assets of the bank and the double liability of the shareholders.

We are often told that this banking system gives us great elasticity of currency and that the American system does not do so. It is a very strange thing then that the circulation in the United States of America is over \$31.39 per head, while the circulation in Canada is \$19.62 per head. I believe the day is coming when the government will assume control of the bank notes in this country and see our banks are kept absolutely within their rights. If our laws were so good in regard to these points, it does seem strange that no other country has copied the Canadian banking system either on this continent or in Europe.

I now come to the third suggestion, that is the making of provision as to the percentage of capital and reserve that may be loaned to any one borrower. The banker's answer is that we have a provision in the law by which the shareholders can limit that percentage. I say it is no answer, that the old law as it stood years ago is the best law, that we should have it on the statute book and limit that percentage. What occurred here a short time ago? The Sovereign Bank which was doing a good healthy business and which was reported in 1906 to be in a very flourishing condition, went to the wall, simply because they had loaned their whole capital to two concerns. They made two loans, practically out of the Dominion of Canada and when they came to get their money they could not and were obliged to go into liquidation. What harm

would there be in limiting the banks of this country to 10 per cent of their capital and reserve as a loan to any individual or corporation? We saw the little Bank of Yarmouth loan her whole capital and reserve to one institution, and when that institution failed down went the Bank of Yarmouth and the people suffered; the shareholders lost practically everything. We find that for forty-three years the law in the United States has limited this percentage to 10 per cent.

I have been studying the banking laws of Japan, and I believe they are as modern and up-to-date as any in existence; but their Banking Act limits the amount that can be loaned to one borrower to 10 per cent paid up capital and reserve. Mexico, which has gone on gold basis and has taken the precaution to frame very modern banking laws, also limits the amount to be loaned to any one individual or corporation. If a similar amendment were made to our Banking Act, we would not have had the failure of the Sovereign Bank nor some other failures that have occurred in recent years, such as that of the Bank of Yarmouth. This is a point so well known, which has been so thoroughly considered by other countries which have adopted this limitation, that I think it is time we in Canada considered it, and put some limit on the amount a bank can loan to any one individual or corporation. We need only look back a few years to the time when the Ontario Bank got into trouble and had to reduce its capital by 50 per cent. That was caused by their lending all their capital to one concern in Toronto and I might mention other similar instances. We have incorporated a large number of banks in recent years. Many of these have gradually and quietly slipped out of existence. It is said: But the public did not suffer any loss. The public did suffer loss, the depositors suffered a loss of \$4,928,096.50, and the shareholders lost every dollar they had invested in these banks. In the last few years we have had a large number of banks go out of existence, some of which would not have failed if we had had this restriction. It is only a year ago that the Canadian Bank of Commerce, probably requiring more capital to speculate in Dominion Coal and Steel, got their eye on the Merchants Bank of Prince Edward Island, with a capital of \$350,400 and assets of over \$3,000,000, and absorbed it. They treated the shareholders well, giving them 93 per cent profit on their shares. A prominent gentleman from Prince Edward Island, only two or three days ago, told me that it was a sad day for Prince Edward Island when the Bank of Commerce took over the Merchants Bank, that they could not get the accommodation from the Canadian Bank of Commerce that they got from the Merchants Bank. I say the policy of