

cover and ultimately getting into Germany's hands. So we put an export prohibition on gold, and that automatically took us off the gold basis.

Q. A gold basis can only be maintained, then, when we are at peace?—A. A gold basis can be maintained at any time if we do not prohibit the export. As soon as you prohibit the moving of gold, you are off the gold basis.

Q. Do you think we did the right thing to go off that basis?—A. Surely.

Q. Then on what ground can you want to go back on it now?—A. Because there is no necessity. Germany can have all she likes of it, if she will pay for it.

Q. When you run out of gold, how do you keep your exchange up?—A. I do not think we can run out of gold, but that is the danger. This is my personal opinion. There are financiers who agree with me, and there are others who do not disagree so much but they are a little timid just for that reason that it might cause a run on the gold resources of the banks, and deplete the gold resources too much. That is the reason I am a little timid of being forcible in my opinion that we should go on a gold basis.

Q. I would like to pursue this subject further, but I think it is taking up the time of the committee unnecessarily, so I think we will leave the question of the gold basis. To come back to the operation of the Finance Act, you are really conducting a sort of bankers' bank? You refuse to advance notes to any other concern than a bank?—A. The Act does not permit us to.

Q. Therefore you are really acting as a sort of bankers' bank?—A. Yes. No, not as a bankers' bank, we are acting as a means of relieving business throughout the Dominion. I would not say we were acting as a bankers' bank.

*By the Acting Chairman:*

Q. Your organization is a place where bankers may obtain credit, but nobody else can?—A. Yes.

*By Mr. Coote:*

Q. Then, when the banks come to you for an advance, do you take into consideration the position of that bank, as to its standing, outside of the value which you place on the securities which it offers to you?—A. We take into consideration the position of the bank in another way, in their monthly return. When we get the securities, if they are good we do not have to say to the bank, "Are you good?" If they give us the securities it protects any advance we make under the Act. We are only dealing then with one class of business.

Q. Can you tell, Mr. Saunders, from the reading of these monthly returns which they furnish to you, whether the bank is really in a good or poor position?—A. Certainly, I think we can; if their statement to us is correct, we can tell.

Q. Can you tell whether the statement is correct or not?—A. We have to take them as correct until we know otherwise.

Q. You do take them as correct?—A. Certainly. Under the Bank Act we have to take them. That is all Parliament gives us to do, get the statements and declarations of the banks' officials as to certain headings or certain classes of business which they do, and upon which they make a return to the Finance Department.

Q. Do you not think you should really know more about the condition of the banks before you advance them money under the Finance Act?—A. No, I do not see any connection between their position and us. If a person came to you and gave you good security, you would not care if he was the most insolvent man in the country.

Q. If you go to the bank and want a loan, no matter what the security is, they want a statement from you.—A. That is a matter of credit.

[Mr. J. C. Saunders.]