CANADA'S BANK ACT

Committee of the Whole House to Discuss Bill—Cattle and Hogs—Registration of Liens

Hon. Mr. White reported to the house of commons that the bank bill had not been substantially modified from the form in which it was originally introduced. The principal changes were as follows:

The provision in the bill for audit had been supplemented by the further provision that auditors be selected from a list of forty names by the general managers of the chartered banks, subject to veto by the minister. The shareholders will select their auditors from the list.

Further provision had been made for the register of liens which the new act authorizes banks to take upon threshed grain and on cattle.

Slight modifications had been made in the clauses regulating rates of interest, rates of exchange, and agency charges.

Provision had been made under which the treasury board was to provide regulations for the sterilizing of bank notes.

Safeguards had been provided over the period between the incorporation of a bank and the issue of the treasury certificate.

Provision had been made by which bank officials would be liable for any corruption in making loans.

The interpretation clause at the outset involved a lengthy discussion by the western members, who objected to the fact that the term "cattle," upon which the banks could make loans, did not include hogs.

Hon. Mr. White asked that the matter stand until the clause in question was reached. If it were then found possible to define the word "ranches" it might be possible to meet Mr. Oliver's contention.

It was decided to proceed with the non-contentious clauses, as far as possible, and some thirty were passed with practically no discussion. Mr. Carvell, however, objected to the clause which permits a bank to loan money on its own stock. He pointed out that this was a right not given to the ordinary public. Hon. Mr. Emmerson also maintained that the clause should be struck out.

Registration of Liens.

Mr. Aikins argued that the section regarding registration of liens should be struck out. It was quite consistent with the principles of the bank act that farmers should be advanced money on their threshed grain in granaries. Farmers would be saved time if they were not compelled to haul their grain to storage centres, and they should not be compelled to part with their grain at inconvenient seasons.

Mr. White replied that the banking and commerce committee had held that liens should be registered, though he was not convinced on that point himself. Banks should have the right, he said, to take liens on cattle, and the section had been put in the act to make the right clear. It had been a principle under the act for 40 years that banks should look rather to personal security in the case of the farmer or the retailer, but the case was different with the wholesaler. It would be unfortunate if the banks really became chattel mortgagees of the personal property of farmers. The proper principle was to have loans made on short term promissory notes.

Mr. Sinclair thought that there should be a definition of the term "rancher" in the act, but Mr. Bennett, Calgary, did not believe the word susceptible of exact statutory definition.

Sir Wilfrid Laurier warned the committee to avoid complications as to the distinction between the meaning of the two words "farmers" and "ranchers."

The Minister of Finance explained at a later sitting that the word "rancher," as inserted in the clause, was not sufficiently specific. According to the Standard dictionary it might include a person engaged in mixed farming, and this was not desired.

Mr. F. L. Schaffner (Souris) asked if the act was to permit a rancher and not a farmer to raise money on his live stock. Upon being told this was the intention, "then I must protest," he said. "There is no more reason why a rancher and not a farmer should have this privilege. We want to encourage mixed farming, and to allow a farmer to raise money on his cattle would be one way to give encouragement. I regret very much that the Minister has seen fit to take this action."

Bank Managers and Insurance.

Objection was renewed by Mr. F. B. Carvell (Carleton, N.B.) to the clause which gives banks a first lien on stock held by a shareholder, and requires that a shareholder shall discharge all his liabilities to the bank before he is allowed to transfer any of his shares. Hon. Mr. White explained that a shareholder would be required only to keep enough shares to cover his liabilities to the bank, and the clause passed.

The section prohibiting bank managers from engaging in the insurance business, which was inserted in committee at the instance of Mr. Carvell, was omitted.

The Minister of Finance suggested that the clause might be dropped, and that the Bankers' Association be asked to take steps to prevent abuse.

Bank Buildings.

Speaking on the clause which allows one bank to sell its assets to another, Hon. Frank Oliver maintained that the matter of combination of specially chartered and specially privileged institutions with another, should be in the hands of parliament and parliament alone. A combine of this sort should not take place without the authority of the people's representatives. The elimination of competition in banking should not be allowed by parliament. The clause was allowed to stand.

When the matter of banks acquiring and holding real estate came up, Hon. Mr. Emmerson moved an amendment to limit the amount that banks could invest in buildings to five per cent. of their combined capital and reserve fund, and that monthly statements of their real estate investments should be published. He said the banks should be legalized in the matter of purchasing real estate, but they should be limited well. The impression prevailed that banks were investing too much in their buildings, and they erected buildings, not only for their own use, but to enter into competition with private owners in leasing offices.

Hon. Mr. White replied that up to the present it was the intention that banks should hold realty for their own occupation, and for that alone, but it was a difficult matter to deal with. It was regarded as an unsound principle that banks should invest money in fixed holdings; they should rather keep their money in circulation.

As for placing a limit on the amount banks should invest in buildings, Mr. White saw a difficulty in placing a valuation on such structures as the Bank of Montreal and the Bank of Commerce on St. James Street, Montreal.

Hon. Frank Oliver said that it was parliament's duty to say just how far the banks could go in using the money people deposited with them.

Call Loans Were Innocent.

After several members had spoken along this line, Hon. Mr. White stated that he would propose an amendment which should be approved by Hon. Mr. Emmerson—namely, that a fair and true valuation of property be made to the minister of finance by all the banks in Canada in January of each year. This was adopted.

Major Sam. Sharpe reintroduced an amendment which had been voted down in the Banking Committee, to the effect that not more than ten per cent. of the paid-up capital of a bank should be loaned to foreign borrowers. He said when money was most needed in Canada the banks were sending it to New York on call loans. Hon. Mr. White explained that call loans were quite innocent. Banks could not put out all their money with commercial enterprises or they would go bankrupt in a week. They had to keep thirty or forty per cent. liquid or stored up. Loans of the kind which Mr. Sharpe complained of could be called in overnight, and the bank was getting three or four per cent. on them. The amendment was not pressed.

The committee of the house debated over clause 91 of the act which was designed to place a limit of seven per cent. upon the amount of interest a bank may recover upon a loan, except in cases where higher rates of interest may have been accepted in advance by agreement between the borrower and the bank. The final decision reached was that clause 91 of the old or existing act should be reinserted with the amendment that the banks shall report quarterly in March, June, September and December, to the finance department as to the rates of interest they are charging in various parts of Canada. The necessity for this somewhat ambiguous provision was stated to be due to the fact that the banks have never observed the old clause and have, in sparsely settled districts and new and isolated towns, charged high rates, and have been fortified in so doing by a judgment of the Privy Council.

It was generally admitted that banks must receive more than seven per cent. in some cases, and that borrowers would be willing to pay more for the purpose of getting money when it was absolutely required. Several members were favorable to striking out the clause entirely. But the majority of the committee deemed it advisable to stipulate the amount that could be recoverable in cases where there was no agreement between the borrower and the bank, and when the interest had not been deducted when the loan was granted.

After this clause was disposed of a few changes were made in the wording of various clauses in the act.

The bill was then reported for its third reading.