

Section 10 provides that the bank shall satisfy the trustees of the Central Gold Reserves before an advance is made that any promissory notes or bills of exchange issued for agricultural, industrial or commercial purposes, offered in pledge, have in fact been issued or drawn or the proceeds have been used or are to be used in the first instance, in producing, purchasing, carrying or marketing grain or goods, wares and merchandise within the meaning of these words in the Bank Act.

Section 11 provides that no advances shall be made against the pledge of promissory notes or bills of exchange issued for the purpose of carrying or trading in stocks, bonds, or other securities, or to be employed on capital expenditures of any kind, and the Minister may direct the trustees to make inquiry and report as to whether any notes or bills offered in pledge fall within the prohibition of this section.

Advances under the Finance Act are authorized by the Treasury Board on the formal application of the bank, enumerating the securities to be tendered as collateral, such application being in the form prescribed by the Treasury Board. (See EXHIBIT No. 19 at page cxxxii.)

The ACTING CHAIRMAN: Who are the members of the Treasury Board?

The WITNESS: The Minister of Finance is the Chairman; the Minister of Railways and Canals, the Minister of Customs, the Minister of the Interior, and the Postmaster General.

*By Mr. Shaw:*

Q. The Act provides that it shall be the Minister of Finance and five members of His Majesty's Privy Council, with the Deputy Minister of Finance as the Secretary, *ex officio*?—A. Yes.

As all advances under the Finance Act become due on May 1st of each year, it has grown to be the practice for the banks to submit to the Treasury Board, just prior to that date, their applications for the authorization of advances to cover anticipated or possible requirements during the whole of the ensuing year, including the renewal of outstanding amounts. This practice, of course, does not in any way preclude the bank from making other applications in the course of the year which changing conditions may require.

Within the scope of the approval or authorization given by the Treasury Board, and upon deposit and pledge of the approved securities, the Department makes loans from time to time upon the written or telegraphic request of the bank. Advances may be made at Ottawa, or at the office of any Assistant Receiver General, at the bank's option, and repayments are due at the offices at which the advances were made. In practice, most of the advances are made either at Montreal, Toronto or Winnipeg. Where securities are kept on deposit with the Department (as many banks do, whether there are outstanding advances or not), advances are obtainable upon notice of an hour or two, although, if possible, the banks are asked to give twelve hours' notice of their requirements.

The form of pledge agreement to be deposited with the collateral is prescribed by the Treasury Board (see Exhibit 20, printed at end of this evidence). On the form are printed regulations, terms and conditions applicable to all advances under the Finance Act, covering such matters as rate and payment of interest, repayments, release of securities and procedure on default.

Under the provisions of section 12 of the Act a Treasury Board Minute of May 30th, 1923, authorized the margins by which the different