

*Bank of Canada Act*

per cent formula before introducing a twice monthly averaging period. The letter continues:

—and (2) that in the event, which I consider extremely unlikely, that the twice monthly averaging period presented unexpectedly serious problems, it would be desirable to be able to revert to the monthly averaging period without having to seek new legislation.

The letter then continues, and this is the important part:

To avoid any misunderstanding, I am writing now to inform you that it is my intention to go to a twice monthly averaging period 12 months after the new act comes into force.

That is the end of the letter as quoted in the Telex from the president of the Royal Bank of Canada. The Telex to the chairman of the committee from Mr. McLaughlin continues as follows, and it is important to have this on the record also:

While this is within the letter of the section as amended you—

That is the chairman of the committee.

—will no doubt recall that when the subject was introduced before your committee by the former inspector general of banks it was proposed as a stand-by power which would be used by the Bank of Canada in unusual circumstances and not as a normal method of operation.

That is to say, in accordance with the extract from Mr. Elderkin's evidence which I read a few moments ago, Mr. McLaughlin is pointing out that when the amendment was introduced in the committee it was represented by Mr. Elderkin that the twice monthly averaging provision, which was contained in a "notwithstanding" clause, was regarded and would be used as a stand-by power only to be brought into operation if monetary conditions changed and the exigencies of a particular circumstance required it, but that the normal practice would be to have a monthly averaging period as had been the case for many years past. The telegram from Mr. McLaughlin continues:

As the action which the governor now proposes is so contrary to the spirit of the section if there is another opportunity to do so we would like to have representatives of the banks appear before your committee again to review the matter.

In other words, all this particular telegram suggests is that the committee should be reconvened and an opportunity given to the representatives of the banks to discuss the clause as amended in the committee and to discuss the statement of intention by the governor of the Bank of Canada as outlined in the letter to the chartered banks from which I have just quoted.

[Mr. Fulton.]

I must say that it seems to me in all seriousness that the request of the bank is justified, reasonable and should be acceded to, because it is clear from a reading of the wording of the amendment and from a reading of the evidence given by Mr. Elderkin that it was represented very clearly to the committee, I am sure in perfectly good faith, and was therefore represented to the banks, that so far as the averaging system was concerned in connection with the maintenance of cash reserves, it would continue as a matter of routine on a monthly basis, and all that was being asked for were stand-by powers to put it on a twice monthly basis if an emergency situation justified it, and it would revert to a monthly basis after the emergency situation which had given rise to that requirement had passed.

I think the banks are told by the Governor of the Bank of Canada in the letter I have quoted that precisely the reverse is the situation, that it is his intention after a year to require that the banks go on the twice monthly system, that that will become the rule for the future and that only occasionally—he does not even say he will do it occasionally, but one assumes that it is a power that will rarely be used—will it be put on a monthly system. So the situation is entirely the reverse of the understanding given in the committee.

I for one would certainly have pressed the point I made in the earlier proceedings of the committee before the amendment was introduced, and would have suggested an amendment in the committee, had we been given to understand at the time the amendment was before us that it would operate and was intended to operate in the way in which the Governor of the Bank of Canada now says. I am quite sure the representatives of the banks who were then before the committee would have asked for and would have been allowed the opportunity to present their point of view and their objections to the proposed methods of operation and the reasons therefor.

Whether or not I be right in my impression and suggestion as to how this situation should operate—and I think I am; the minister may think the other way—under our method of proceeding we should not come to conclusions and enact legislation without the opportunity for discussion, and understanding all its effects and intent. It may be that even after such discussion the view I represent will not prevail, but at least we will have had a full opportunity of placing the case before the