

*By Mr. Shaw:*

Q. Did the Home Bank officials, for instance, ever forward to you a statement showing that as far back as 1916 their capital was impaired?—A. Indeed they did not. There are lots of things they did not do.

Q. What about the Merchants Bank?—A. The Merchants Bank?

Q. Their statements were not honest either, were they?—A. Well, to a certain extent, they did not show the true position of the bank, but that was their lookout. If they made wrong certificates and wrong declarations, we could not get behind that under the old Bank Act.

Q. I am not casting any reflection; I appreciate that under your existing machinery you had to take the returns that the banks may send in, and if these banks wilfully or accidentally make false statements, you have no means of checking them up, necessarily?—A. No, but I may say that this proposal of the Minister to have an inspector will round that part off.

*By Mr. W. F. Maclean:*

Q. Who will—

The ACTING CHAIRMAN: Do not be interrupted.

WITNESS: Because one of his first duties would be to verify the figures sent to the Department in the returns.

*By Mr. Shaw:*

Q. Quite right, I agree with you. All I want to get from you is this: I am not trying to blame anybody—I say that so far as the condition of the banks at the present time is concerned, the Department of Finance, the Minister of Finance, the Deputy-Minister of Finance, and all the officials of the Department must rely upon the returns which the banks send in?—A. That is what Parliament tells us to do in the Act. I may say, Mr. Shaw, that our financial men are such an outstanding class that we would not suspect them of making any mis-statements. When mis-statements have been made, it has only been in certain cases due to knavery or crookedness, and you cannot judge the other banks by that.

Q. I am not trying to, but my memory runs back fifteen or twenty years and I can recall that in the Farmers' Bank, the Ontario Bank, the Merchants Bank and the Home Bank false returns were made to the Department of Finance, if my memory is correct?—A. How many banks did you say?

Mr. MARLER: I do not think that that is a statement which should go on the record.

The ACTING CHAIRMAN: They were not all thought guilty.

Mr. SHAW: The false returns were admitted, but the question was did they wilfully make those false returns?

The ACTING CHAIRMAN: To say that a bank makes a false return connotes, I think, that it is wilfully false.

Mr. SHAW: No, false may mean untrue; it may be wilfully or not wilfully made.

WITNESS: False returns? The return made in the case of the Merchants Bank, for instance, their trouble was that they did not recognize the depreciation in some of their big loans, and they hoped eventually to get them, so they kept them on the return showing their face value.

Q. Please do not misunderstand me. I am only talking of false statements innocently made to the Department. That is the lowest class of case we can imagine?—A. I would not say designedly false.