The WITNESS: I would not be able to answer the question; I have no means of knowing what the loss would have been.

The ACTING CHAIRMAN: Any further questions of Mr. Finlayson, gentlemen? If not, we thank you very much, sir. Now, the next witness is Mr. Saunders.

J. C. SAUNDERS, Deputy Minister of Finance called and examined.

The ACTING CHAIRMAN: Is it the desire of the committee to examine Mr. Saunders about the Finance Act? If so, Mr. Saunders tells me he has prepared a comprehensive memorandum with which he would like to introduce his evidence before the committee. If it is the desire of the committee I shall ask Mr. Saunders to read this memorandum to us. Viva voice examination is a great deal more interesting, but I think perhaps if the memorandum is not too long, we might start with it.

The WITNESS: (Reads)

Advances to Banks Under Finance Act 1923

Under authority of section 2 of the 1923 supplement to the Finance Act of 1914, the Minister of Finance may make advances by the issue of Dominion notes upon the pledge of the following securities—(repayments under authority of section 7 to be made in Dominion notes to the Minister or to an Assistant Receiver General):

(*a*) treasury bills, bonds, debentures or stocks of the Dominion of Canada, United Kingdom, any province of Canada, and of any British possession;

(*b*) public securities of the Government of the United States;

(*c*) Canadian municipal securities;

(*d*) Promissory notes and bills of exchange secured by documentary title to wheat, oats, rye, barley, corn, buckwheat, flax or other commodity;

(*e*) promissory notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes and which have been used or are to be used for such purposes.

Section 6 provides that advances shall be for a period not exceeding one year and interest thereon shall be payable at such rate as may from time to time be fixed by the Treasury Board.

The rate of interest as at present fixed by the Treasury Board is five per cent per annum.

Section 3 of the Act provides that such securities shall be deposited with the Minister or with an Assistant Receiver General, and, further, that the Minister may request the trustees of the Central Gold Reserves to make a valuation of and recommendation as to the amount which, in their judgment, may properly be advanced on any securities submitted.

Section 4 provides that the Minister may permit bills of lading or other documents of title, covering grain or other commodity while in transit to go forward under the control of the bank to the point at which delivery is made and payment therefor is received, the bank to be a trustee for the Minister, to the extent of the advances, of the proceeds received for such grain or commodity.

Section 5 provides that all promissory notes or bills of exchange when pledges shall have a maturity exclusive of days of grace, not later than six months from the time at which they are pledged.

Section 9 provides that these advances shall be deemed to be an amount due by the bank to the Government and shall be a second charge upon the assets of the bank.

[Mr. J. C. Saunders.]