facilities for people in western Canada. It may provide some option but nothing additional unless your flow of funds are from eastern Canada into western Canada. Is it envisaged you will be able to tap sources of funds in eastern Canada in order to put them into western Canada to give additional credit facilities.

Mr. STEVENS: Generally speaking, I think what you say is quite correct in that if we are going to depend on deposit business in western Canada that deposit business has to come from some deposit taking institution at the present time, and in that sense it is a re-arrangement as to who holds the money.

When we speak about competition—and I hope I do not create any other impression—we speak much in the context of the Porter Commission, and that is competition in the true sense, with no private agreements or no rate structures being observed, and competition among all institutions who are qualified to compete. This would result in the possibility, if not the probability, of, firstly, some funds from the east and, secondly, our bank in Winnipeg which, in turn, would be routing funds from the east into that area of western Canada. I can give you what I regard as an interesting example of what happens when banks break their agreement. When we raised our money in the Bank of Western Canada over two years ago the trustee in consultation with the provisional directors decided to put the money with only chartered banks in Canada. The money has been with these chartered banks exclusively since we received it.

Now, initially, the agreement among the banks was that, for example, on a 30 day placement of these funds they would pay you $4\frac{1}{4}$ per cent. Now this, you will find, was uniformly observed, and with regard to all the banks in Canada you would find the exact same $4\frac{1}{4}$ per cent. After the Porter Commission Report came out and especially when the Bank Act was under consideration last year, we found that the Mercantile Bank of Canada and the two French banks, the Provincial Bank and the Canadian National, started to break its rate agreement. I spoke to one of the officers of the Canadian National Bank and asked him if they were doing it deliberately and he said they were doing it in the sense that they felt they were getting into the competitive field. As a result, you find that today the money we have out is still held in trust but on deposit with these chartered banks. You will note that the high point got up to 5.97 per cent, and this in spite of the fact that certain of the banks are still observing the rate agreement and are quoting $4\frac{1}{4}$ per cent on the same money.

Mr. LAMBERT: I do not know which charter bank is still adhering to that agreement but I was going to refer to this. Is there not any rationalization in that they are competing with the major trust companies who are prepared to give one quarter of one per cent. They will meet any offer of any chartered bank because with this kind of money, this kind of short-term or medium-term money, they can turn around and they have no limit on the interest rate they can charge.

Mr. STEVENS: But, they have the limit of the market place.

Mr. LAMBERT: Yes, but this is competition.

Mr. COYNE: But, they can only make approved investments under the act under which they operate; they can only make first mortgage investments. They cannot make second mortgage investments, so there is an effective limit.