

and large amounts to the credit of others. For my own part, I am much more disposed to place reliance on that to which the hon. gentleman alluded in this regard, as the actual experience of banks which have gone under, and which, speaking generally, I think, quite justified his observations. I do not propose to say a word with reference to the details of the plan for the redemption of the notes, for the hon. gentleman has not entered into details, and there are some questions of detail which are rather important, but which, in the absence of details, it would be entirely premature to discuss. Nor do I intend to enter into the question of the working of the guarantee system, because that also requires very careful consideration as to details, and as to the exact liability which it would impose on the mass of the banks and as to the arrangement in case of a call. As to the audit system, I must say that I concur in every word the hon. member for South Oxford has uttered. I agree that if our present system of auditing is in any respect defective in theory, if it does not provide an adequate legislative recognition of the duty of the shareholders or the authorities to secure a proper audit, we ought to make such a legislative recognition. But with reference to most institutions which are engaged in enormous transactions in the lending of money, especially to those lending money on personal security, I hold that it is absolutely impossible for any auditor to make an audit which will indicate the real position of the bank. We know in our own experience that it is quite impossible. We in this House have had the most signal instances brought before us of banks which displayed the most flourishing statements, duly audited, before their shareholders, and in a very few weeks, or even days, it was found—without imputation of fraud on anyone—that those accounts were really nominal, and that enormous sums which were returned as good, turned out in the end to be of the most doubtful character. It is really of the greatest consequence, therefore, that we should not hold out to the public that we are giving them a security which we cannot give. I feel the importance of a proper audit, and I think that, if by any means we could, we should establish to some extent the independence of the auditor; and I will even go so far as to say that it would be worthy of the consideration of the House whether we could not provide some peculiar mark of our sense of the responsibility which any man assumes who undertakes the duty of auditing, as to the thoroughness and accuracy of the audit, by attaching to him a certain responsibility, which would of course involve a satisfactory remuneration. But, so long as the board of directors have the confidence of the shareholders, although the shareholders may, in name, appoint the auditor, after all we know that it is the board of directors who really name him, and, so long as that is the case, the auditors are very much exposed to the danger of doing their work perfunctorily, and of being guided, in matters which at all savor of questions of opinion, by the views of the manager of the institution and those who surround him. I was disappointed, I confess, to hear the hon. gentleman's statement with reference to the change he proposed to make as to the creation of smaller banks. As to the amount of capital to be paid in, if he is only going to ascertain, by the actual payment of cash that cash has been provided

for the moment or for a brief space, to the amount of \$250,000 instead of \$200,000, that does not amount to very much, nor is it in the matter of the actuality of the payment extremely satisfactory. You cannot provide that without imposing a barrier, which, I do not suppose, you intend to impose. You cannot provide it by retaining for any long time the \$250,000, because that is what the bank is built upon, and you must hand it back. It is evident, from our experience, that the system which has gone on will not, by any such arrangement as that, be stopped, though to some extent its operations may be restrained—the system, namely, of a bank, almost immediately after its formation, discounting the paper of its shareholders for an amount approximating to the amount of their subscriptions, and thus making the transaction a nominal one. Apart from this difficulty, which, I think, the hon. gentleman's proposition may to some limited extent prevent, I must say for myself that the experience of Ontario, so far as I can gather, with reference to the smaller banks, has not been favorable. I say so the more openly because I very well remember the discussion we had, a good many years ago, when the late Sir Francis Hincks was Finance Minister, when we had before us that whole question, and when a considerable effort was made to keep up the minimum capital for the establishment of banks. I was amongst those—in those days I was much younger than I am now—who moved by the unquestionable difficulties which the smaller centres of population then labored under, strenuously insisted upon a lower minimum. Those difficulties were due to a condition of things which has, to a considerable extent, disappeared. That condition was this: The number of the banks was much smaller, and the capital of the banks was also very much smaller than in these later days, and the indisposition of the banks to provide branches in the country was very much greater than it has since become; and it was a fact that very great difficulty was experienced, arising, in many instances, from the impossibility of obtaining local banking facilities in a good many thriving communities. It was thought necessary to give those facilities; but I must say that the experience of our Province has been that the smaller banks have not been on the whole a success. They have been, speaking generally, though with some exceptions, rather an element of danger than otherwise, and it has been proved that the present plethora of banking capital, and the widespread banking facilities, make it exceedingly difficult to conduct a profitable banking business with a bank, weak in the sense of its capital being small. Therefore, we ought to consider carefully, though not at all unfairly—I do not suggest any interference with any existing institutions—in the light of the experience of the past few years and of the existing condition of things as to the amount of banking capital which is available—the question whether it may not really be in the interest of the country, to discourage the establishment of banks with a minimum of capital so low as that which at present obtains. In expressing that change of opinion, I think it proper to assume the penitential stool, in view of my former attitude and of the position I now take on this question.