

APPENDIX No. 1

Q. It is left entirely to the local postmaster?—A. He is working under a regulation.

Q. What is the regulation?—A. Twenty-five dollars is supposed to be his reserve ordinarily; that may be increased at any office where we see need for it.

Q. When it comes to Ottawa where is the money put then?—A. We get the draft in the Post Office Department just the same as any other draft, only it is on a special form, and we send it to the Finance Department, and the Finance Department transfer their money to the Bank of Montreal.

Q. Exactly. And supposing one of these banks failed, what would happen to the deposit?—A. If one of the banks failed?

Q. Yes, any bank in which the Department of Finance has these deposits representing the savings of the people?—A. They are not kept, the savings of the people, on deposit as such, you know.

Q. I quite understand that, but nevertheless they are in effect the savings of the people. You have taken them in a branch of the savings department and transferred them by draft to Ottawa where they are transferred to the Department of Finance and then to one of the chartered banks of the Dominion. Is that not the process?—A. Yes.

Q. Mind you, I am not suggesting that any of these banks are going to fail, but supposing a horrible accident happened and one of them did fail, what would happen to that money?—A. We are speaking now, not of savings bank money, but of any Government balance that is in the bank.

Q. That is what it becomes, exactly, a Government balance?—A. You people know more about that than I do, but I thought there was a preferred claim.

Q. You know there is one, do you not?—A. I have never studied the question, I know from general information.

Mr. GARLAND: It is an indirect way of guaranteeing deposits.

The CHAIRMAN: No, I think the Committee quite understands that when the Government has deposited money in the banks they have a privileged claim for the deposits that the Government have in the bank.

Mr. GARLAND: Which are the deposits of the people.

The CHAIRMAN: The guarantee of the Government to the people is a guarantee by the Post Office Department. It is not that the Government has a privileged claim for their balance in the bank and that that gives an additional guarantee to depositors. The depositor in the postal savings banks has a guarantee from the Government on their deposits. The Government deposits that money in the course of their banking business, and if there is a balance left to their credit in a bank, and if that bank should fail the Government have a privileged claim.

Mr. GARLAND: Exactly.

WITNESS: I may say that the Government guarantee on savings banks' deposits is ten per cent of the gold reserve. That has to be held in the Finance Department.

By Mr. Garland:

Q. Just explain that clearly?—A. Under the Gold Reserve Act, I do not know that I am quoting the Act rightly, they hold ten per cent. For every ten dollars of the savings bank deposits there is one dollar held in gold in the Finance Department.