

Order in Council authorizing advances to be made to the chartered banks upon securities to be approved by the minister, I continued this committee as an advisory committee upon securities. The committee consisted of the president of the Canadian Bankers' Association, as chairman, and the general managers of the three largest banks in Canada. I convened the committee at Montreal because it was very convenient to Ottawa, and I could be in touch with the situation by telephone from day to day. Since the announcement was made that banks were authorized to issue their own notes instead of Dominion notes and gold, and to make use of their excess circulation, and that the Dominion Government stood prepared to make advances to chartered banks upon the security of approved collateral, the banking situation in Canada has been normal, and up to date we have not issued any Dominion notes.

I should say further—and this will answer in part a question asked this afternoon by my hon. friend from Guysborough (Mr. Sinclair)—that, without assuming to interfere in any way with the banks' conduct of their business, I have asked the banks to exercise as liberal a policy as is consistent with the principles of sound banking towards the commercial community, and I have asked them not to hesitate to make use of the facilities afforded them by the Government through this arrangement. I have been asked as to the machinery that has been devised. The advisory committee that I have mentioned pass upon the security put forward in connection with an application. There is a certain order in which these securities are to be taken. There are Dominion and provincial guarantee securities and other high-class listed securities, bonds and stocks and commercial paper. I think it inadvisable to lay down a hard-and-fast rule, because the several banks carry on their business differently. While there may be a good deal of trouble in connection with the release and substitution from time to time of commercial paper, such paper may be quite as good as high-class bonds or other collateral. This committee of bankers pronounce upon these securities, subject to the final approval of the Minister of Finance. In this connection I should call the attention of the House to a provision of the Bank Act. I think it is section 135 which provides that the Dominion has a second charge, next only to the note issue, upon advances made to banks. So I do not think the question of security need give us very much concern.

What I desire to know is whether it is the intention of the Government that advances should be made upon guaranteed securities which have not been marketed, as for instance the guaranteed securities that were given to the Canadian Northern railway. It is stated in the press that, owing to existing circumstances, these have not been placed, and it was stated also in the press that that company had brought the matter under the notice of the Government and applied to them for relief in the matter. What I should like to know is whether this clause is designed, and is it the intention of the Government to give the relief sought in that way in respect of secur-

ities guaranteed by the Government but which have not yet been placed on the market. Can the company by simply passing them through a bank get cash from the Government which they could not otherwise obtain? Is it intended by placing these bonds in the hands of one of our own banks or some trust company, that these guaranteed bonds shall be in any way dealt with or advances made with respect to them under this clause? Is this clause designed to cover such a case as that? If so, the country should have been taken more into the confidence of the Government before the Bill was passed. The language I have spoken of is so general in its terms, that it may be described as a stepping round the corner by way of answering a direct question. Under the circumstances, I think it is well that we should know whether the Government in passing this Bill intended to enable them, through banks or otherwise, to legally cash these securities out of this fund.

Hon. Mr. LOUGHEED—The specific case mentioned by my hon. friend, of the Government having been approached for the purpose of assisting the Canadian Northern upon a deposit of securities guaranteed by the Dominion Government, is not a case that comes within the Act, inasmuch as the application was made, my hon. friend intimates, by the Canadian Northern. I am not aware that such an application was actually made, but my hon. friend intimates that it was. My answer to that is, that it would not come within the Bill, inasmuch as the Bill only makes provision for the tendering of the securities in question by the chartered banks, not by railway companies, or other corporations. It is quite manifest if a bank approaches the Dominion Government with a view to taking advantage of this section, that bank becomes primarily liable to the Dominion Government for any advances which may be made. Consequently, the Government has not only the securities which will be deposited for the advance, but will have the security of the bank itself. Now my hon. friend has put a hypothetical case, and I cannot therefore give him an answer. He asks if these particular securities should be tendered through the channel of the banks whether the Government will make an advance in Dominion notes. Inasmuch as the matter is entirely one of discretion with the minister, and the Treasury Board, it is manifest that I cannot give a reply to my hon. friend on a suppositious case