

Q. If we can come back, then, to the question of the Finance Act, I think you said that the rate of interest charged by you is uniform at five per cent?—A. It is five per cent.

Q. Except for the one exception you mentioned to Mr. Shaw?—A. Yes.

Q. You do not make a practice of varying the rate of interest, generally speaking?—A. That is a matter of opinion, and our opinion is that five per cent is as high a rate as the banks can stand, and their eagerness to get it back again as soon as it is not being used rather supports that. They are not anxious to take it unless business requires it, and they have not the business resources to carry on.

Q. Have you ever considered whether you should possibly at times advance this money to the banks at three per cent, so they would be a little more willing to come to you for this money?—A. We are not anxious for them to take it. Personally I would rather have the banks get along without the Fund at all.

Q. You are not anxious for them to make use of it?—A. No, I am not anxious for it.

Q. What interest rate do you pay on Treasury Bills?—A. We pay five and a quarter per cent at present.

Q. And you allow these banks, I understand, to deposit Treasury bills with you?—A. Yes.

Q. And you issue Dominion notes against them?—A. Yes.

Q. And you charge the banks five per cent?—A. Yes.

Q. Could you give the committee some reason why you pay the banks $5\frac{1}{4}$ per cent on Treasury bills, and then turn around and advance the bank money at 5 per cent? Is that encouraging the banks not to come to you for loans?—A. The banks do not use Treasury bills in that way at all. It is straight business with them. They only come to the Finance Department for advances under the Finance Act when they really need the money in their business. They get cramped, and then put up securities and get the money.

By the Acting Chairman:

Q. I wish you would explain to the committee how, when the Dominion of Canada wants money in its business, it pays the banks with whom you discount your Treasury bills, $5\frac{1}{4}$ or $5\frac{1}{2}$ per cent, but when the banks need money in their business, they borrow it from you and you only charge them 5 per cent. There does seem room for some explanation, and perhaps there is an explanation.—A. We only have \$5,000,000 against Treasury bills.

By Mr. Coote:

Q. Would you care to give the committee any further intimation of why you loan the banks money at a lower rate of interest than they charge you?—A. When we go to the banks for a loan, we have to go to them under market conditions, and at present we are paying $5\frac{1}{4}$ per cent for our outstanding Treasury bills. When the banks get advances from us at 5 per cent, they do not make a clear difference of that quarter per cent. They have their overhead expenses which will add to the cost to them, and whatever they charge I do not know; I have no means of knowing. The difference between that would be what their profits are.

Q. Mr. Saunders, you say that when you loan this money to the banks you charge them 5 per cent, but you do not follow it up to see what the banks charge?—A. No, that is none of our business. We have made a business proposition to them, and they have taken advantage of it. We just see that we are secured, and we make a clear profit of 5 per cent on the transaction, ourselves.

[Mr. J. C. Saunders.]