HON. MR. MURPHY—They have the right to lend to their own directors, provided they furnish collaterals such as are approved in any other case, no matter what it is, either Montreal Bank stock, municipal debentures or bonds. They have a right to do that: I do not know that there is any restriction as to the amount.

HON. MR. ABBOTT—These two banks cannot lend on endorsed paper; it must be collateral security in every case.

HON. MR. MILLER—There is no exception in favor of the directors?

HON. MR. ABBOTT—No.

HON. MR. POWER—This empowers them to lend on the stock of chartered banks.

HON. MR. MURPHY—In reference to that, hon. gentlemen will recollect that the ordinary chartered banks cannot lend on bank stocks of any kind, and consequently it is a privilege given to the savings banks to enable them to dispose of the money that is deposited.

HON. MR. POWER—I doubt the wisdom of it.

HON. MR. SCOTT—One can see where this clause is open to very serious abuse, where there is no restriction to lending on the stocks of chartered banks. Often such stocks are below par, perhaps 50 per cent. or less. I think that the clause requires looking after, because it is the most important one in the Bill, and it would be manifestly wrong to allow the banks by collusion among the directors to lend 100 cents on the dollar when the stocks are worth 50 cents in the market.

HON. MR. MURPHY—That has never occurred in the bank with which I am connected. When the stock is worth, say 60 cents in the dollar, probably only 50 cents would be loaned on it. There is always a considerable margin.

HON. MR. ABBOTT—My hon. friend will perceive that in making provisions in various Acts as to the nature of securities which may be received as investments no restriction as to the amount is usually made. In companies of this description, we never say to what extent security is required, because the directors are selected by the shareholders to take care that their money is not lent on insufficient security, and as a matter of fact we know by experience that it is not. There are no better managed banks in this country or anywhere else than these two. The board have to account for their management to the shareholders. It would be very difficult to establish a general rule as to the extent to which money might be loaned on collateral security. It might have a very different effect from the one intended; it might lead to the loan coming up in every case to the margin fixed, whereas the directors, if there were no such margin, would be careful to keep it low enough to make the security perfect. There is no reason why we should impose new restrictions now.

HON. MR. SCOTT—Several banks in this country have been wrecked, simply by the directors loaning large sums to themselves. I need not point out the recent failure in Toronto, where the loss was due to that cause. In the case of a savings bank, particularly, we ought to guard against fraud of that kind. Of course, one may have a feeling of delicacy, in view of the very respectable board of directors existing now, but we are legislating for a number of years ahead. The men in charge of the bank now will not be in charge of it ten years from to-day, and therefore we ought to surround those savings banks with every possible precaution. It is quite possible, under this provision, for the directors to lend 100 cents on the dollar on stock that is worth 50 cents or less.

HON. MR. ABBOTT—As I have had occasion to remark more than once in this House, there is scarcely a Bill that we pass that one could not imagine would admit of injury being done to some one. Here is a bank which has been in existence for a great many years.

HON. MR. MURPHY—For forty-three years.

HON. MR. ABBOTT—It has been in existence under its present charter for twenty-five or thirty years. These charters have been renewed twice, and this clause has been in them in the same form as now, and we have had no experience in their management that would warrant us in making a change.