

Q. That would not be a matter that would necessarily come within your special knowledge?—A. No.

Q. You have spoken about the circulation of the banks. The bank circulation, as you know, is fixed by the Bank Act which includes and is limited to amount of the unimpaired capital, and the amount to the credit in the Central Gold Reserve, subject to certain changes during certain seasons of the year, certain additional provisions?—A. Yes.

Q. What arrangement do you have to see that the banks keep within the legal limits of their circulation?—A. Well, Mr. Shaw, if you look into the Bank Act you will see that we get about fourteen returns from the banks, and among those returns is the circulation. Then we get a special monthly return; that return is scrutinized by a special officer in the Department under my own direction, and the circulation is checked up so as to grasp the situation and see that there is no over-circulation. Of course, if there is over-circulation there is a penalty under the Act.

Q. I suppose that that penalty has been imposed on some occasions?—A. Yes. If you will allow me, I may say I never knew any over-circulation that showed an attempt to over-circulate. It has been owing to some little clerical mistake or some unlooked for event. Nevertheless, we go after them.

Q. Have you read the evidence in connection with the Home Bank?—A. Not too closely.

Q. Are you aware of the fact that the capital of that bank was impaired to a very large extent as far back as 1916?—A. There was nothing to show that that was the case in the returns to the Finance Department.

Q. They make a return to you?—A. Oh yes.

Q. I suppose, Mr. Saunders, indicating the paid-up capital, but you would know that without their telling you?—A. Yes.

Q. They would indicate in this return, from month to month, the amount of circulation outstanding?—A. Yes.

Q. And as long as the circulation outstanding was not in excess of the amount of paid-up capital, you would be satisfied?—A. Surely.

Q. The Bank Act says that it must not exceed the unimpaired capital?—A. Well, the unimpaired capital is what the bank returns show as so and so.

Q. Do they make a return as to their unimpaired capital, or as to their paid-up capital?—A. No, its paid-up capital. If we looked at it in that light, we would have to go into every bank every month and see whether they were solvent or not.

Q. Do you recognize any difference between paid-up capital and unimpaired capital?—A. No,—well, hold on,—paid-up capital is the amount that has been paid into the bank. If the bank has impaired its capital by any loans, the paid-up capital is all they show us, and I would not know whether they had impaired it or not unless they said so.

Q. But the fact is, so far as the Department is concerned, that they have no means of knowing whether the capital of a bank is at any time impaired?—A. We have through the returns. For instance, we examine the assets and liabilities, and if the returns show that the bank is in a sound position, its capital cannot be impaired.

Q. Has any bank ever forwarded a statement to the Department of Finance indicating that it is in an unsound financial condition during your experience in the Department?—A. No, I do not think there has been.

Q. You would not expect them to, would you?—A. I would think they were honest.

The ACTING CHAIRMAN: He would think they were honest.

[Mr. J. C. Saunders.]