

2. *Board of Directors.*—The Board should consist of ten or such other number as may be determined and composed of the following:—Four members to be appointed by member banks from among the heads of chartered banks. Three men of high standing and integrity, experienced in business, manufacturing and farming to be appointed by the Government. Two members (one of whom should be an ex-banker of the highest standing and integrity) to be appointed by the member banks, subject to the approval of the Government. The remaining member to be the Minister of Finance, or his representative, duly appointed.

Operation.

The Federal Reserve Bank should exercise the following functions:—

(a) To act as a bank of re-discount dealing only with banks.
 (b) To have the right of open market operations in much the same way as is now done by the Federal Reserve Bank of the United States and for the same purposes.

(c) To act as a credit agent for banks in international banking in order to facilitate trade and commerce between Canada and other parts of the world, on much the same principle as the Bank of England.

(d) To function as the Government now does with respect to all Dominion Note Issues, reserving, however, power of the Finance Department to check over and make certain of the proper securities being held for such issue. In addition to the Gold security to the Federal Reserve Notes, these notes also to be backed as they are now by the Dominion Government thus giving complete stability as far as note issue is concerned.

(e) To act as the bankers or fiscal agents of the Government. In this way the Government has the power and united strength of all the banking institutions of the Country in times of crisis and the banks have a far better opportunity as members of the Federal Reserve Bank in sharing in business of the Government. It does not seem fair that one bank should monopolize the business of the Government, and to a large extent, as a private institution dominate the financial structure of Canada.

(f) To have no greater net profits than sufficient to pay operating expenses and 6 per cent on the capital investment. If there are any other profits these are to go to the Government for the benefit of the people of Canada and also within reason to restrain banks, through its branches, in remote portions of the country from charging unreasonably high rates of interest. Such restraint could be practised by the Federal Reserve Bank loaning money (under its open market privileges), direct to the people at a low rate of interest.

(g) To act as a disciplinary body for banks which might be disposed to engage in questionable undertakings on a large scale or depart from the usual banking practices so as to endanger the deposits of the general public and the shareholders of the bank. The Federal Board to have the necessary powers through committees to investigate the member banks, their business operations, their assets and liabilities, with a view of protecting the public.

(h) To exercise, through its Boards of Directors, inspection in a general way for unusual financial operations of the member and other banks.

(i) To carry out the duties, generally speaking, such as are now performed by the Treasury Board and the trustees of the gold reserve and the Department of Finance with respect to note issue, pledge of securities and banking operations under the Finance Act of 1914 and all other banking functions operated by the Department of Finance, with the exception of such supervision and control by the Government for the Federal Reserve Bank as circumstances may warrant to protect the public interest in connection with those matters.