

*Bank Act*

"grain", "hydrocarbons", "inspector", "live stock", "manufacturer", etc.

That means that the Bank Act is quite clear and that we are justified in wondering from the beginning what is the purpose of all those definitions.

Mr. Speaker, when we, members of the Social Credit party, say that chartered banks can create credit, that is do something with nothing, when we say that chartered banks can create credit which is 10 or 12 times the amount of their cash reserve, we are told that we talk through our hats.

And yet, if one refers to section 71 of the Bank Act, one can read the following:

The bank shall maintain a cash reserve in the form of a deposit with the Bank of Canada and of Bank of Canada notes held by the bank, and such reserve shall be not less on the average—

—and please note that it does not say more,

—shall be not less on the average during any month than 8 per cent, or such other percentage as may be fixed by the Bank of Canada under the provisions of the Bank of Canada Act.

The chartered banks legislation refers to the Bank of Canada Act, so that we have to consult another act to know exactly the problem of the cash reserve of chartered banks.

And if one looks up the Bank of Canada Act, which is chapter 13 of the 1934 statutes, one can see that section 24 deals with the reserve chartered banks must maintain.

Mr. Speaker, I shall not read everything which concerns this matter, for there are two pages.

In 1954, the act was amended under chapter 33, and section 11 says:

Section 24 of the said act is repealed.

This means that everything in section 24 was repealed, everything concerning the provision of fixed cash or numerary reserves was eliminated because section 24 had been repealed.

Section 28 is repealed and replaced by the next section which becomes section 24. That section mentions a reserve to be maintained by the banks—and this, Mr. Speaker, is in the Bank of Canada Act, not in the Bank Act concerning the chartered banks.

It is very easy to compute the amount of numerary reserves to be held by the banks; I can immediately prove it by quoting subsection 2 of section 71:

For the purpose of determining the amount of the cash reserve required to be maintained by a bank during any month,

(a) the amount of its deposit liabilities payable in Canadian currency shall be the average of such deposit liabilities at the close of business on Wednesdays in each of the four consecutive weeks ending with the last Wednesday but one in the preceding month,

(b) the amount of Bank of Canada notes held by the bank shall be the average holdings of such

[Mr. Marcoux.]

notes at the close of business on Wednesdays in each of the four consecutive weeks ending with the last Wednesday but one in the preceding month, and

(c) the amount of its deposit with the Bank of Canada shall be the average amount of such deposit at the close of business on each juridical day of the current month.

I know that many members of the house are experts, but it is really difficult to know what are the average cash reserves the chartered banks are supposed to keep. However, they are well protected by the law, I may assure you.

(3) If the property and assets of the Bank of Canada are insufficient to pay its debts and liabilities and the Bank of Canada suspends payments of any of its liabilities, the deposit made under this section by every bank is hereby guaranteed, and the governor in council, on the recommendation of the minister, shall authorize payment out of the consolidated revenue fund of such moneys as are necessary to implement the guarantee.

That is why we have been saying that the banks have discretionary powers, incomparable powers. We would like to see this act amended in some way, so that the people are dealt with a little more justly.

Now, you know what a bank is: the act tells us "Bank means a bank to which this act applies".

What are the powers and business of the banks?

I read this in section 75, and you will see it is very important:

The bank may

(a) open branches;

It is a great privilege and it is very convenient for banks to open branches.

(b) acquire, deal in, discount, and lend money and make advances upon the security of, and take as security for any loan or advance made by it, bills of exchange, etc—

I shall not go any further, Mr. Speaker, but I meant to show that the banks are entitled to make loans from 10 to 12 times the amount they have as a reserve in cash on deposit in the Bank of Canada.

The law says so; it is neither us nor even Messrs. Towers, Rasminsky or Coyne. It goes to show that banks have extraordinary powers.

Do you think it would be to one's advantage to be a director of a chartered bank? It could be, because according to the Directory of Directors published by the *Financial Post* of Canada for 1962, people of very good families, of very good reputation, are chartered bank directors and, at the same time, probably by accident, control more or less directly many companies. I will not quote the whole Directory of Directors, it would be too long and, besides, my time would not suffice. However, I will read the names of some very