

obliged to do some private negotiating to try and put that bank into a more liquid condition. If you appoint a Government inspector, the same condition might exist. The only difference would be that it would be more likely discovered and reported to you?—A. Surely.

Q. Now, Mr. Saunders, what in your opinion would be the wiser course for this committee to recommend in order to prevent a bank making such large advances against non-liquid securities, so that this condition could not arise at all?—A. I do not know just how to answer that question, because I cannot understand a bank making a big advance on non-liquid security.

Q. The fact exists that they do make that sort of advances.—A. Have they not been led into it step by step, and then by trying to save themselves they get involved, the way the Merchants Bank did?

Q. The condition has existed.—A. Yes.

Q. In other words, bank inspection will be a help, but it will not prevent that condition?—A. No. I may say that my opinion is that if some of the banks who got into unfortunate circumstances, as soon as things did go badly, had taken their losses, and stopped there, they would have been saved, but they tried to nurse the thing along and got in deeper and deeper.

Q. You would not like to hazard an opinion as to what the committee should consider to avoid that condition being brought about in a bank?

Mr. GOOD: The limitation of loans, you mean?

By Mr. Malcolm:

Q. The question of security as to liquid assets?—A. My opinion is that bankers are trained business men, and that it would not be advisable to interfere with their own business principles, and the running of their business too much, that we should not be a grandfather to them, because they do not need it.

Q. But, Mr. Saunders, you realize the responsibility of the Government of Canada to depositors, when we have government control of banks, and if recommendations or regulations could be included in the Act which would eliminate the danger of a certain set of conditions being brought about, not by the good banker but by the speculative or gambling banker, it would be in the public interest to have these regulations introduced?—A. My opinion is that you cannot control the bad manager or the speculator in business by legislation.

Q. Then you think the only hope is to have inspection, so that it may be detected at as early a moment as possible?—A. I think perhaps that would be the better plan.

Mr. IRVINE: Mr. Chairman, I would like to ask one or two questions.

The ACTING CHAIRMAN: I would be glad to have you do so, sir, but Mr. Coote asked me privately whether he could ask one or two more questions to finish.

Mr. COOTE: With Mr. Irvine's permission.

Mr. IRVINE: By all means.

By Mr. Coote:

Q. I just wanted to ask Mr. Saunders a couple of questions regarding these monthly returns. Will you tell the committee, Mr. Saunders, what is meant by "bills payable" by the banks?—A. That is bills they owe.

Q. Could you explain to the committee how a bank, or what bills a bank would owe amounting to \$7,000,000? That is a little hard for some of the committee to understand, why a bank would owe bills to that extent.—A. The bank

[Mr. J. C. Saunders.]