

and that the Dominion Government stood prepared to make advances to chartered banks upon the security of approved collateral, the banking situation in Canada has been normal, and up to date we have not issued any Dominion notes.

I should say further—and this will answer in part a question asked this afternoon by my hon. friend from Guysborough (Mr. Sinclair)—that, without assuming to interfere in any way with the banks' conduct of their business, I have asked the banks to exercise as liberal a policy as is consistent with the principles of sound banking towards the commercial community, and I have asked them not to hesitate to make use of the facilities afforded them by the Government through this arrangement.

I have been asked as to the machinery that has been devised. The advisory committee that I have mentioned pass upon the security put forward in connection with an application. There is a certain order in which these securities are to be taken. There are Dominion and provincial guarantee securities and other high-class listed securities, bonds and stocks and commercial paper. I think it inadvisable to lay down a hard-and-fast rule, because the several banks carry on their business differently. While there may be a good deal of trouble in connection with the release and substitution from time to time of commercial paper, such paper may be quite as good as high-class bonds or other collateral. This committee of bankers pronounce upon these securities, subject to the final approval of the Minister of Finance. In this connection I should call the attention of the House to a provision of the Bank Act. I think it is section 135 which provides that the Dominion has a second charge, next only to the note issue, upon advances made to banks. So I do not think the question of security need give us very much concern. That is the procedure that has been adopted to date. But I have changed that in this present Bill. I have provided that the Treasury Board, instead of the Minister of Finance, shall sanction the advances that may be made. That gives a wider judgment. Of course, the Minister of Finance is chairman of that board and his knowledge would be at its disposal. We may have to enlarge the committee in order that sub-committees may be appointed to act in different parts of the country, but for the present we shall proceed under the arrangements made until change seems necessary or desirable.

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Mr. A. K. MACLEAN: I presume that the purpose is to relieve banks of present loans which they are carrying so that they may be better able to take care of fresh applications for loans. That being the case, I suppose the banks would receive no greater rate of interest from their customers than they would pay to the Government. As I understand it, the *modus operandi* will be to transfer to the Government securities given as collateral by customers of the banks. On these securities a specified rate of interest will be paid. Will the Government receive for the advances in Dominion notes the same rate of interest that the customers pay to the banks?

Mr. WHITE: I should not say that that would be the case. My hon. friend knows, of course, that the banks have their running expenses to meet. They pay three per cent for deposits, but their discount rates are much higher, of course. I have fixed five per cent as the minimum rate which the banks must pay the Government under the present arrangement. When I made the arrangement I took up with the banks the question of the rate of interest in a general way. I wrote to the chairman of the Bankers Association requesting him to communicate to the banks my wish that at this time the rates of interest should not be increased. I am not of the opinion that the banks' rate of discount will be precisely the rate which the banks pay the Government, because it must be remembered that the banks will avail themselves only to a comparatively small extent of this assistance which the Government offers them. Their loans will be made first from their own resources. The object of these advances is that the banks may be able to maintain the volume of their credit to their customers and meet abnormal demands upon their cash resources in time of stress. I can assure the House that I have found the banks ready and willing, so far as I can judge, to act in a spirit of the utmost fairness towards the whole situation.

Mr. NESBITT: You do not intend to make these advances so long as we can get along in the ordinary way?

Mr. WHITE: The banks would not make application and pay five per cent for money if they had money on hand for which they were paying three per cent. In the fall of 1907, when the American panic was at its height, the late Government adopted a somewhat similar expedient, and advances were made to the banks upon such securi-