

taken any step that has not been in accordance with the principles of sound banking and sound business. I know of no grievance whatever against the Bankers' Association. We have penalties and heavy penalties against a bank for over-circulating. We had these in the Act some years ago, but since that time, as a result of our experience, an arrangement has been made with the Bankers' Association by which they appoint an inspector whose duty it is to guard against over-circulation and they have made regulations which I think are as efficient as any regulations which could be made by the government. The officer of the Bankers' Association goes to the establishments in Canada in which bank notes are printed. He takes account of every note that is printed in his establishments. He then goes to every bank and he requires from the manager of that bank an account as to the manner in which these notes have been disposed of. He follows a note from the time it leaves the printing office in Montreal or Ottawa until, the note, having served its day and generation, is destroyed in the presence of officers appointed by the Canadian Bankers' Association. I do not know that any regulation could be made by the government in regard to circulation that would be more efficient than the regulations which have been made by the Canadian Bankers' Association.

Mr. BARKER. They get a monthly statement from every bank.

Mr. FIELDING. Yes. In regard to the matter of loans to directors, that is a question, which, I think, might very well be left to the shareholders themselves. They are the most interested, because they know they are responsible for all of the affairs of the bank. They know that when they put in their hundred dollars or more per share they are assuming a responsibility for another hundred dollars. The hon. member for Stormont (Mr. Pringle) says that he knows that there is a regulation that the shareholders may make by-laws in that respect, but he says that the shareholders will not make by-laws. Well, if the shareholders will not make by-laws the fair presumption is that they do not think that such by-laws are necessary. Therefore, it appears to me that the matter might very properly be left for the banks themselves to deal with as at present. My hon. friend spoke of the banks as favoured institutions which receive a franchise from the government which enable them to make a great deal of money. There is some truth in that. But before he closed he told us that it was very difficult to get people to subscribe for stock in banks now, because of the laws which exist on that subject. I find it difficult to reconcile the two statements of my hon.

friend. If the banks have such great advantages everybody should be in a hurry to get in to share the benefits, but if it is true that it is difficult to get people to subscribe for bank shares, I think the proper explanation is that they have regard to the great responsibility which a bank shareholder has to-day, and the greater responsibility and fear that a bank director has, especially after what has happened recently, and that has tended to make bank stock a little less attractive to people than it was a few years ago.

One other question to which my hon. friend referred and one which has received a great deal of attention in the country is the question of call loans in New York. There is no question in connection with banking affairs which has been more discussed, particularly in the last few months, than the one to which I refer. It has been treated in the press widely as an evil. We are told that large sums of money have been sent out of Canada and invested in call loans in New York. The matter has been discussed by the president of the Canadian Bankers' Association, Mr. Clouston, manager of the Bank of Montreal, in a recent address to his shareholders and I would prefer to have him state the matter rather than state it myself. Mr. Clouston says:

I wish to allude briefly to some criticism which has recently been made in the press respecting the practice of Canadian banks in keeping a portion of their reserves in other countries. The aggregate of call and current loans by the banks elsewhere than in Canada, approximating at times \$100,000,000 has been cited as evidence that these institutions are not serving the needs of Canadian borrowers as freely as they might were all this money loaned in this country. In the first place let me point out that a year ago, when these loans abroad, in England, the United States and other countries amounted to \$96,000,000, the banks had deposits made with their foreign branches of \$55,000,000; so that the actual net amount of foreign loans was only some \$41,000,000.

That is a very important point of notice, because a great many speakers and writers on this subject take the amount which appears in the returns of loans abroad; they forget to take into account the very considerable sums which the Canadian banks receive from depositors abroad.

Every dollar of this money is loaned on call at short date, upon the most ample security. It constitutes a part of the reserves of Canadian banks. If to-morrow we were to call in the whole of our loans of this class, which are at all times immediately available, the mercantile public of Canada would derive absolutely no benefit from the action. Being a portion of our reserves, the choice given the bank is between retaining the money unproductive in its vaults, or lending it at call upon interest in foreign financial centres. We adopt the latter alternative, as being in the