

the chartered banks to reduce their holdings of non-earning cash assets below the present 8% and, by being related to the structure of each bank's liabilities, would not impose excessive cash holdings on any institution. The Commission stresses that the extension of reserve requirements to the "near-banks" will not affect their response to central bank action. They are strongly influenced by monetary policy whatever the reserve arrangements (pp 96,390-1).

The Commission also recommends that the charging of exchange on out-of-town cheques be prohibited and that the Bank of Canada be empowered to act as a clearing agent for any institution desiring these services (pp. 393-4).

(v) Foreign banks in Canada

The Commission recommends that foreign banks be granted the power to open agencies in Canada, as Canadian banks are in New York, in order that they may pursue their business interests in Canada without necessarily acquiring Canadian institutions. Because of the concentration of power that may be involved in foreign banks acquiring interests in Canadian banking institutions, it is recommended that all acquisitions of Canadian bank shares by foreign banks be subject to Treasury Board approval. The Commission does not believe that foreign-controlled banks are immune to domestic monetary policy and states that foreign banks might in some circumstances improve the Canadian banking system, but regards it as anomalous that there should be no government control over foreign bank takeovers while prohibiting or subjecting to official scrutiny takeovers by Canadian institutions. This direct approach is preferred to other devices or formulas since each case must be considered in relation to its effects on competition and concentration (pp 373-5).

(vi) Small Loans Act

The present ceiling of \$1,500 should be raised to \$5,000, the rate structure revised so as not to discourage lenders, and the Act should apply to all lenders - including the banks (pp 382-3).