

Q. And Provincial deposits, are, I understand, third? Is it a fact that a bank, like the Home Bank that has mortgaged all its buildings to a certain private corporation, that corporation has the fourth lien on the assets of a bank?—A. After any claims that the provinces have on a bank that would be the next or the fourth lien, if they are approved.

Q. And after that the depositors come in?—A. No, the depositors come in with the fourth.

Q. Where do the depositors come in?—A. After the provincial governments.

Q. Are they put on exactly the same parallel as secured creditors?—A. I do not know about that. If a man has a mortgage on a building, he has, I suppose, a better claim than one who has not a mortgage; I should think so.

Q. Otherwise, if he has a mortgage on buildings he would be what you call a secured creditor, and depositors are what you call unsecured creditors?—A. I cannot give an answer to that officially; that would be a matter for the liquidators and the men winding up the bank who know banking business.

Q. One more question. You made the statement to Mr. Good that since 1920 you were not quite satisfied with the returns sent in by the banks and you made one inquiry. You did not care to give the name or the date, and I am not going to ask you for them?—A. I said I was not quite satisfied with the bank.

Q. That one inquiry, I take it, was not well founded; I think you said so?—A. Yes.

Q. What about the cases of the Merchants Bank, the Home Bank, or the Banque Nationale? Did their balance sheets not show that there was something wrong?—A. No.

Q. Otherwise, all you had to go by was simply the figures sent to you? You had no means of telling that there was something risky in those banks, that there was a liability of the public suffering loss?—A. No, mind you, these were all under the old Act. I think the present Act has been improved very much last session. It gives us the opportunity to really grip the situation of a bank better than under the old law.

Q. Previous to last year, all those banks might have been carrying on business in a very haphazard way, and yet as they sent in their balance sheets they would look all right to you and you had no way of checking them up?—A. No, I had no way of checking up a bank. The Act provides that certain declarations should be made and we could not go behind that unless we knew.

Q. You were not able to find anything wrong with those banks in the statements they gave you?—A. No.

Q. Although the statements were wrong?—A. The statements seemed all right.

*By Mr. Irvine:*

Q. I just want to clear up one point about which I was not very sure. Mr. Saunders, do you look upon it as a fact that the Home Bank had a larger circulation of notes than its unimpaired capital warranted?—A. In view of the statement that has been made here that the capital was impaired, it must have; if its capital was badly impaired or wiped out, it certainly had.

Q. That is equivalent to saying that its circulation was illegal?—A. Surely.

Q. And that was the case in 1916, according to the report of the judge?—A. Did the judge say that the capital was impaired in 1916?

Mr. McMASTER: The judge says on page xxxix of his report that in 1916, "The total paid-up capital and reserve of the bank has been lost."

WITNESS: Then the notes in circulation were illegal.

[Mr. J. C. Saunders.]