

EXHIBIT No. 8

PROPOSAL FOR A FEDERAL RESERVE BANK OF CANADA

(Submitted by Mr. Ladner)

Explanation.

In every important commercial and industrial country of the world a Federal Reserve Bank or some banking institution embodying the same principles and advantages exists. In Great Britain the Bank of England performs all the functions of a federal reserve bank of rediscount, carrying on in addition its own banking operations. In France the Bank of France does the same thing; likewise in Spain and Italy we find in their banking systems most of the features of the Federal Reserve Bank. In the United States, whose original banking system was individual local banks as distinguishable from the branch banking system, the federal reserve bank was instituted in November, 1914.

In all these systems the Government in the interests of the public at large necessarily plays an important part and receives certain great financial advantages in times of war or other crisis. Generally speaking a Federal Reserve Bank, as we see it in other countries, has the following main functions:—

(a) It is a bank of rediscount for other banks, or a bankers' bank; available for credit to banks, either when there is a financial depression and heavy demands on a bank or on the other hand for elasticity of credit when there is business expansion and prosperity. In this way very large banking capital is less important in the banking system and there is a greater stability of credits.

(b) Open market operations to check too sudden expansions or too sudden contractions, by the use of bank discount.

(c) As a credit agent in international trade and commerce for a broader discount market for commercial paper.

(d) To act as a bank of note issue for the Government instead of, for example, the Dominion Government handling its own note issue.

(e) To act as the Fiscal Agents of the Government.

(f) To be constituted in such a manner as to enable the people of the country by the Government and to the Government's appointees on the Board of Directors, to have due regard to the best interests of the people's prosperity and financial welfare.

(g) To act, through its Board of Directors, as a disciplinary body on banks which might be disposed to engage in questionable undertakings on a large scale.

(h) To exercise, through its Board of Directors, inspection in a general way for unusual financial operations of the member and other banks.

Proposal.

It is proposed that a Federal Reserve Bank of Canada be established on the following general principles, the details to be worked out by a committee of expert bankers, business men, farmers and others understanding finance, as well as representatives of the Government:—

1. *Capital and Principles.*—That the seventeen chartered banks of Canada, having about four thousand four hundred and seventy-two branch banks in Canada, should become shareholders in amounts proportionate to their capital and reserve, in a Federal Reserve Bank. A corporate body to be formed by a special Act of Parliament, having a capital of fifteen million dollars in gold and that provisions be made for the entry for any further chartered banks on the same basis.