

BANK ACT—*Con.*

Pugsley, Hon. Wm. (St. John City)—1279.

Asks if the Bill contains the same provisions which were in the old Bank Act that the bank shall not lend money upon the security of its stock to any shareholder, 1279. Points to another section which seems to be inconsistent with that and is very objectionable, 1280. In the present Bank Act there is a provision that a bank shall not invest in real estate except in so far as may be necessary for its banking business; but we all know they have gone far beyond that, 1288. Asks, in view of the fact that the intention of parliament was in passing the Bank Act that banks should not invest their money in real estate beyond such buildings as are necessary, if some clear provision will be made in the Bill to limit such investments, 1289.

Ross, D. C. (Middlesex, W.)—1284.

Thought one of the most important amendments that could be made is that depositors should be adequately protected, and that it would not be difficult to frame an amendment embodying such a provision. Could not the minister introduce some clause whereby protection would be given to depositors in much the same respect as in connection with the bank note circulation fund? 1285.

Speaker, His Honour, the—1288.

This is not a motion for the first reading of the Bill, but for leave to introduce the Bill. It is not the usual custom to enter into a discussion, 1288.

Turriff, J. G. (Assiniboia)—1284.

Asks: Has the minister considered the advisability of compelling banks, when they desire to amalgamate or form a merger, to come to Parliament for the authority to do so? 1284.

White, Hon. W. T. (Minister of Finance)—

Indicates the chief changes which have been made in the existing Act. Following the usual practice the present Act extends the charters of the several banks and their corporate powers until July 1, 1923, 1272. Refers to Ontario Bank, Sovereign Bank and the Farmers Bank. Believed that a proper system of external audit would have prevented the failure of those institutions. The matter of the question of the penalty attaching to directors, 1273. Had introduced a provision in the new Act, whereby in addition to the penalties imposed by the existing Act, directors, officers and auditors will be liable to indictment. Provisions relating to circulation, and the establishment of a central gold reserve, 1274. The gold reserve is to be held by four trustees. The custody of that gold and the conditions under which it is to be held are to be determined upon in accordance with the by-laws of the Canadian Banker's Association, 1275. The government very properly makes a charge

BANK ACT—*Con.*

for the additional note circulation which the banks at the present time are privileged to make during the crop moving season. The entire cost of the administration of the central reserve is to be borne by the banks, 1276. This Bill will enable the banks to deposit \$5,000,000 in gold and practically allow it to remain there, 1277. The point is that under the new Act the same evidence will be obtained as at present as to the note issue of the banks. It is the intention that this Bill should go to the Banking and Commerce Committee. Any suggestion of a practical character will be welcomed. The provisions of the Dominion Notes Act, 1278. With regard to the Dominion of Canada, it may be said that we are on a gold basis, 1279. By Fielding's Bill external audit was permissible; we have made it compulsory. The provision for a central gold reserve was not contained in Fielding Bill. One other feature: We have permitted the banks to loan to farmers on the security of threshed grain in their possession, 1280. The provision that a rancher may borrow on his cattle has been inserted, 1281. The question of so-called bank mergers, 1282. Have introduced a feature into this Act which provides that before an agreement may be entered into, the consent of the minister must first be obtained, that an agreement may be made, 1283. It might not be advisable to compel the banks to come to Parliament for its sanction in matters such as this, 1284. Did not believe any legislative provision could be made which would absolutely secure the interests of depositors. Thought the suggestion of Mr. Ross was not feasible, 1286. According to the English system the auditors are appointed by the shareholders, 1287. The Bill has certain provisions as to the occasions when the minister or the government would consider it necessary to make inquiries, 1288. Asks that matter to which Pugsley referred and other matters of a cognate character in connection with the Bill, be dealt with, either on the second reading or in the committee, 1289.

BANKS AND BANKING.

Second reading of Bill No. 36.—*Mr. White, (Leeds)*—1841.

Carvell, F. B. (Carleton, N.B.)—1932.

Thought the proposition made by the member for South York is one which the government should consider very carefully. That is that there should be a Royal Commission appointed to investigate the banking systems of the world, 1933. The fault he found with the banking system of Canada to-day, 1934. He was safe in making the statement that 75 per cent of all interest-bearing deposits in the banks of Canada to-day, is the money of the farmers and mechanics, 1935. One of the great difficulties lies in the absorption of the smaller banks by the greater ones, 1936. Be-