

character of the other Canadian chartered banks by way of comparison with, say, United States institutions through earnings on investment capital?

Mr. STEVENS: Yes, and I think some of the members of the committee may have noticed that I made a speech for the Society of Analysts in Toronto when I touched on that general subject. I would not want to emphasize it although I think it is fair to say that our type of banking system is a relatively costly system and that if you do compare it with certain American banking institutions, which I think are comparable, for instance, the Bank of America, which is an extensive branch banking concern, you will find that the overhead—and I am referring to the overhead in most banking concerns—is mainly made up of salaries of executives and more junior personnel. You will find that the overhead of Canadian banks is somewhat higher than comparable American banks, and this has a necessary result on the net earnings of the Canadian banks.

Mr. MACDONALD (*Rosedale*): Do you feel that you will be able to plan in such a way that you will be able to lower salary overhead, on a percentage basis, to a greater degree than your competitors. Is this one of the things that motivated you?

Mr. STEVENS: We feel that to some degree it is not necessary to branch in the same sense that the Canadian banks have been prone to do, and to some degree we could have branches which would have a few more senior personnel in them; they would be larger in scope, and in that way the cost of the branch in reference to the total volume of business which the branch is performing would be lower than you would generally find certainly in the smaller Canadian bank branches.

Mr. MACDONALD (*Rosedale*): And, as I observed, you remarked at the time that the Canadian bank gross money spread was in approximately the 3½ per cent range.

Mr. STEVENS: Yes.

Mr. MACDONALD (*Rosedale*): Do you feel with the lower overhead you could reduce that spread and, therefore, operate at a lower cost?

Mr. STEVENS: We feel there is some room there to minimize costs and, consequently, either pay higher earnings or pay more for your money.

Mr. MACDONALD (*Rosedale*): And, it was for this reason you felt you could live with a 6 per cent ceiling.

● (4:45 p.m.)

Mr. STEVENS: In dealing with the 6 per cent ceiling, the newspapers referred to the fact that I said I did not feel it was necessary to raise the 6 per cent ceiling; but what I actually said was that the 6 per cent ceiling in the present Bank Act, as the Bank Act is now interpreted, is something that we can live with. But, I would put stress on the fact, as now interpreted, in that in several ways the existing banks do charge an effective rate of interest higher than 6 per cent, the most notable of which are consumer loans, where the figure is something over 11 per cent in some cases.

Mr. MORE (*Regina City*): You will be engaging in that business as well.

Mr. STEVENS: Yes.

Mr. MACDONALD (*Rosedale*): I have some questions in respect of foreign ownership but I will hold these until we reach clause 5.