

and short loans, and with the details of the head office accounts, including their so-called undisclosed reserves, and all other information which is usually found in the head offices.

Q. That is, you examine the securities held as against those loans?—A. I have a list of the securities. I may say that the securities themselves are physically examined by the shareholders' auditors once or twice a year, and in view of the calibre of the men who do that work now, I would not consider it necessary to duplicate that work.

Q. Was it not so that that was largely the cause of the failure of the Home Bank?—A. No, the main trouble was in respect to their loans classed as commercial loans. There were several large loans, and doubtful or bad loans which were classed in that category.

Q. It was not the weakness of the securities?—A. It was not the weakness of the securities in the sense of securities owned by the bank. Securities are reported in three classes, Dominion and provincial, municipal and railway and other bonds, etc.

Q. Is it not so that nearly all the difficulties our banks have got into in times past, were due to the weakness of the securities?—A. Due to the weakness of the collateral securities or to the weakness of the obligant's financial position.

Q. You have told us you did not examine personally the securities?—A. Quite true.

Q. Do you think we are getting all that we have hoped to get, under the bank inspection?—A. I believe you are, because, as I said before, these matters for inspection by the shareholders' auditors, who are present in all the banks and are men of very high calibre.

Q. Are they not employed by the banks themselves?—A. No, they are employed by the shareholders themselves and are independent of the banks. As I previously remarked, it has been amply proven that the auditor in the case of the bank mentioned was not competent to value the securities and to perform the work of an auditor generally.

Q. But you think that there was no ulterior motive?—A. No. I think it was a pure case of incompetency, as far as he was concerned. I have no doubt his intentions were of the best.

*By Mr. Bothwell:*

Q. In a case like that, what power have you?—A. I have power to go to a branch and examine any of the bank's documents. I could go as far as I liked, that is, under section 54A of the Act.

Q. You say you find no reason to doubt the competency of the shareholders' auditors?—A. That is a matter of judgment. I have met these men, and I may say they include men of such outstanding firms as Peat, Marwick, Mitchell and Company; Price, Waterhouse and Company; Riddell, Stead, Graham and Hutchison, and men of that type.

*By Mr. Irvine:*

Q. It would be impracticable for you, or any other inspector, to examine all the collateral of the banking system in Canada?—A. Simultaneously, yes.

The CHAIRMAN: You gave us the names of two or three firms. The inference might be drawn that other firms were not of equal calibre. On the ground of publicity, would you have any objection to leaving out the names of the firms you mentioned?—A. I certainly would not wish to cast any reflection on firms of equally high standing with those I have mentioned.

Mr. SPENCER: I think he is throwing bouquets at them.

WITNESS: I have no desire to advertise these firms in preference to others.

[Mr. C. S. Tompkins.]