

partment that you know at present—I am asking for information in regard to things that are past and that do not bear on the present condition of the banks—have you not found that under Section 88 hypothecation of liquid assets in most cases has been easily realized upon?—A. I have never gone into that field; I have no personal knowledge.

Q. Of how the loans were made that were dangerous loans?—A. No.

Q. To cite a case that is well-known to the public, and that will not impair the credit of any existing bank, in what form of hypothecation were the timber lands in British Columbia given to the Home Bank as security for loans?—A. That was an internal arrangement with themselves.

Q. It was not under Section 88?—A. The bank held the licenses.

*By the Acting Chairman:*

Q. The licenses were transferred to the bank?—A. The licenses were transferred to the bank.

*By Mr. Malcolm:*

Q. It was not an ordinary banking business; it was a speculative gambling business, was it not?—A. It was a mighty bad business.

Q. Do you think that a bank inspector appointed by the Government to look into head office loans would sanction that type of loan?—A. I am sure he would not.

Q. In other words, you do not think that that would be good banking?—A. No.

Q. If the bank had made a loan of that type on that kind of security, what would the inspector have done, or what would the inspector do after the loan is made?—A. I do not know; there has not been an inspector yet. I do not know what he would do. He would be a man with banking experience and banking knowledge, but what he would do I do not know. That is out of my financing experience.

Q. What I am trying to get at is, what position would you find yourselves in supposing another bank made that type of loan on a timber license which is not easily saleable and which would be hard to realize on, thereby freezing a large portion of its assets; supposing the inspector found that out, he would then be in a position to report that condition?—A. Yes.

Q. Then, to use a vernacular expression, it would be up to you?—A. Up to the Minister.

Q. Up to the Department. What would be the result even if we had an inspector and he found that situation existing? What would be the protection for the depositors?—A. I imagine that the Minister would get in touch with the bank and try if possible to straighten it out so that it could recover itself. If it was hopeless, I think that under the provision he would call in the Bankers' Association and put in a curator.

Q. Then the fact would be, even if we had a Government inspector that a condition might arise under Government inspection of a loan being made on certain terms which would freeze the assets of the bank to an undue extent, and the inspector would report to the Finance Department, and the bank would be in the same position as if the Finance Department had found it out without the advice of the inspector?—A. I do not quite understand.

Q. What I am trying to say is that inspection is only inspection, it is not management?—A. Surely.

Q. And if the condition was not satisfactory to the Minister of Finance or to yourself from the statement of the bank, and you privately investigated and found that by an undue amount of money being loaned on security not easily liquidated, the bank's condition was not very liquid, the Minister would then be