

APPENDIX "Y"

EXHIBIT 35: Return to an Order of the Committee, dated April 10 last, on motion of Mr. Bowman, viz:—

Ordered: That the Committee be furnished with a statement showing the difference, if any, between the rates of interest charged by the Bank of Montreal on loans to municipalities in Eastern Canada and to municipalities in Western Canada, in the years 1930 and 1933, inclusive.

A survey of municipal accounts carried at branches of the Bank of Montreal in the years 1930 to 1933 inclusive enables me to make the statement that rates charged on municipal borrowings in 1930-31-32 and the first half of 1933 were stable, and ranged from $5\frac{1}{2}$ per cent to 7 per cent and, since May or June, 1933, from 5 per cent to $6\frac{1}{2}$ per cent, and that during the four years rates to municipal borrowers generally in the West were about $\frac{1}{2}$ of 1 per cent higher than in the East.

The minimum rate applies to the borrowings of a few of the largest cities whose credit is in the highest grade, and whose accounts are therefore sought after, competition being keen for such business. Their high credit standing is also reflected in the quotations for the bonds of these cities, indicating the demand for their securities on the part of the public.

Rates charged on other municipal accounts at the present time vary from $5\frac{1}{4}$ per cent to $6\frac{1}{2}$ per cent, according to the financial standing of the municipalities, the credit balances carried and the cost of doing business in the locality. There are relatively few cases where the maximum rate applies and they are to be found in the East as well as the West.

Allowance being made for exceptions, the credit of the longer established municipalities has stood higher than that of newer communities, the finances of the older, for the most part, showing more stability and larger credit balances, accumulated over the course of years, in the way of sinking funds, etc., being maintained. Both factors, as well as the cost of doing business in the district, have a bearing on borrowing rates.

In Western Canada there is a larger proportion of municipalities of more recent growth, and naturally they have accumulated less in the way of credit balances. These considerations and the higher cost to the bank of operating are taken into account in setting rates, and result in the majority of municipalities in the West paying fractionally higher rates.

Following the reduction of $\frac{1}{2}$ of 1 per cent in the rate allowed on savings deposits in May, 1933, rates charged on Eastern and Western municipal borrowings were correspondingly lowered wherever the credit standing and working of the account justified it. There were very few cases where a reduction was not made.

MONTREAL, April 16, 1934.

APPENDIX "Z"

EXHIBIT 36: Return to an Order of the Committee, dated April 10th last, on motion of Mr. Power:

THE CANADIAN BANK OF COMMERCE

EXTRACTS FROM CIRCULARS TO BRANCHES RE STOCK LOANS

16th March 1927

We do not regard it as the function of the banks to assist customers to speculate in stocks, particularly so where the means of the prospective borrowers are limited. The Managers must recognize that the stock market at the moment,