

force. This whole arrangement you have been operating under was a voluntary agreement, was it not?

Mr. BEATTIE: Yes, I should have said it was in effect or in operation rather than in force.

Senator SMITH (*Queens-Shelburne*): What else do you carry out on the voluntary system without imposing certain actions on various banks?

Mr. BEATTIE: I am not aware of any other voluntary agreements of this kind at the present time. Occasionally when you get into emergency conditions, and all the other mechanisms and methods you have available to you are not quite equal to the job, there may be an attempt to work out some kind of an agreement with the chartered banks. This has happened on rare occasions in the past.

Senator SMITH (*Queens-Shelburne*): In the past has the Bank of Canada ever gone to the chartered banks and pointed out difficulties of a particular situation and suggested that it would be in the general public interest if they would restrict their loans to the same ratio or the same amount they have done in some past period? Have you done things of that kind?

Mr. BEATTIE: There have been a few instances of this. The one I recall most clearly occurred at the time of the Korean War when conditions at the end of 1950 or, perhaps, in January of 1951 were such that the governor had several discussions with the chartered banks, and there was no disagreement among them about the diagnosis of the situation or the desirability to restrain the growth of bank credit as much as they could. At that time tentative targets were worked out which were in effect for, I would say, about nine months. But this is the kind of thing that is only possible in an emergency situation, and it is not the kind of thing that can last very long, because too many roughnesses and inequities turn up in it. It is kind of supplementary action that all the people involved are occasionally driven to attempt.

The CHAIRMAN: It is not good for the long haul?

Mr. BEATTIE: It certainly isn't. A matter of some months is about as much as it is usually good for.

Senator THORVALDSON: I notice throughout the Bill C-190 there are some sections which refer to the Quebec Savings Banks Act, for the first time. Is that a new development in regard to this? Is there a new relationship created between the central bank and the banks under the Quebec Savings Banks Act?

Mr. BEATTIE: No, the Quebec Savings Banks Act is put in italics in the explanatory notes because it is the title of legislation and not because there is any change in relationship. As far as I know this legislation is exactly the same in regard to the Quebec savings banks.

Senator THORVALDSON: I have another question. When you refer to emergency situations, would it be right to say that the central bank had an emergency situation in May or June 1965, when the Atlantic Finance Corporation got into trouble? Would you call that an emergency situation?

Mr. BEATTIE: No, I do not think I would describe it that way, Senator Thorvaldson, although it was a somewhat uneasy time for the financial markets and during that time we provided quite adequate cash reserves and the banking system found itself in a position where it was able to accommodate demands for loans from financial institutions to a greater extent than might have been expected if you had been looking only at the underlying economic situation and the developing upward pressure in costs and prices that was occurring during that period. But we felt this other consideration was an overriding one for the short time that was involved.

Senator THORVALDSON: I recall there were news reports at the time that the central bank was acting in the Atlantic situation.