

CONSIDERED IN COMMITTEE

On motion of Hon. Mr. Dandurand, the Senate went into Committee on the Bill.

Hon. Mr. Willoughby in the Chair.

Section 1 was agreed to.

On section 2—advances by issue of Dominion notes on pledge of securities:

Hon. W. B. ROSS: I would like to ask the honourable Minister the explanation of paragraph e:

Promissory notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, and which have been used or are to be used for such purposes.

That seems very indefinite. How do you earmark those?

Hon. Mr. DANDURAND: It is allowed to the Department of Finance to make advances on such notes, but with the safeguards that are contained in the other clauses.

Hon. Sir JAMES LOUGHEED: The advance is made to the bank upon the deposit of those securities.

Hon. W. B. ROSS: But what is the meaning of "agricultural"?

Hon. Mr. BEIQUE: The honourable member will see that it is explained somewhat in section 11, which says:

No advances shall be made against the pledge of promissory notes or bills of exchange issued or drawn for the purpose of carrying or trading in stocks, bonds, or other securities, and no advance shall be made against promissory notes or bills of exchange, the proceeds of which, when issued or drawn, were employed on capital expenditures of any kind, and the Minister may direct the trustees to make enquiry and report as to whether any notes or bills offered in pledge fall within the prohibition of this section.

Hon. W. B. ROSS: That only explains a few things. But suppose a farmer borrows the money from the bank? Can the bank take it to the Government and rediscount it? You are making a rediscount bank out of the Government. I have no objection to that; I think this rediscount bank is a rather good idea; but I cannot attach any meaning at all to paragraph e. A farmer or anyone else—a barber or a haberdasher—may borrow \$1,000 from his bank. Can the bank rediscount that loan? As to these other items, we know what they are. If they are examined properly it will be seen that they have something behind them.

Hon. Mr. BEIQUE: I think that section 11 bears on the question. Paragraph e mentions "promissory notes and bills of exchange issued or drawn for agricultural, industrial or commercial purposes."

Hon. W. B. ROSS: Would the honourable gentleman give me an example of a bill drawn for agricultural purposes?

Hon. Mr. DANDURAND: One for the shipping of wheat.

Hon. Mr. BEIQUE: Yes, for advances that have been made in the fall. In fact, the Act was passed largely for the purpose of providing for moving the crop.

Hon. Mr. ROSS: But paragraph d, immediately preceding, provides for "promissory notes and bills of exchange secured by documentary title to wheat, oats, rye, barley, corn, buckwheat," etc. The farmer shipping in the fall has his crop to put up against his note.

Hon. Mr. BEIQUE: That is limited to bills accompanied by documents; but the next paragraph goes beyond that. It refers to notes or bills which need not be secured by a warehouse receipt; whereas under paragraph d the promissory note or bill of exchange must be secured by the warehouse receipt.

Hon. Mr. ROSS: It does not say that: it says "documentary title."

* Hon. Mr. BEIQUE: That is what is meant by "documentary title."

Hon. Mr. ROSS: It might not be. That is only one of the forms of documentary title.

Hon. Mr. BEIQUE: There is provision in a section of the Bank Act regarding a lien on an article without a warehouse receipt; but paragraph d is confined to the promissory note that is secured by documentary title, that is a promissory note that is secured by a value against which it was drawn.

Hon. Mr. ROSS: I understand that, but what I am trying to find out is the meaning of paragraph e. The preceding paragraph is perfectly clear, and I have no objection to it, but I would like to know what is the meaning of the terms "agricultural purposes" and "to be used for such purposes."

Hon. Mr. DANDURAND: They cover paper which may be held to be first-class commercial paper and may be taken as security for advances.

Hon. Mr. ROSS: But there is no collateral provided for. They are rediscounted notes and bills that are made by a single individual or by a company without any security at all.

Hon. Mr. DANDURAND: Yes.

Hon. Sir JAMES LOUGHEED: No doubt about that.