

The Auditor General has cited a number of dates with regard to the balances in paragraph 2 under item 68 here. I have here the actual figures for 1962. They vary all the way from a low of \$66 million to a high of \$906 million, or something of that nature; normally they are low in October before the savings bond sales are received and low in April when we are paying our yearend accounts and bills.

Mr. REGAN: Would you say that on the whole the present formula results in interest being paid on three-quarters of the money on deposit, or two-thirds?

Mr. BRYCE: Just glancing at these figures, it looks to me as though interest would be paid on two-thirds, three-quarters, or maybe four-fifths; we cannot figure that out.

Mr. REGAN: I just wanted a general idea. If the money was not kept on deposit at the bank in this manner, what other system would you follow?

Mr. BRYCE: As I indicated earlier, we would endeavour to keep balances down to much smaller figures. In order to do that we would take the money which is with the banks and invest it in our own short term securities of one kind or another, or alternatively we would change our borrowings so that we would borrow smaller amounts more often.

Mr. REGAN: Do you feel that this would result in a very large difference in the compensation which is paid to the government on its investment?

Mr. BRYCE: It would mean we would reduce our interest, and in effect we would reduce the net interest we pay on government securities, because by buying them in and reselling them we would get the interest for a time. If one is trying to think of the impact it would have on the banks, it is a complicated matter which would have to be analysed carefully. If the government held more of its own securities, or if you had fewer short term securities, that would have some impact on what government securities the banks would hold. It would also have some impact on how the Bank of Canada would operate. So, I think it can be said if we did not keep these substantial balances with the banks we would pay less interest and they would get less interest. Just how it would affect the policy on balance, would require us to outline a specific plan.

Mr. REGAN: You do not think the withdrawal of these deposits from the chartered banks would result in a serious difficulty for the banks? They are not that significant in amount; are they?

Mr. BRYCE: They are significant in amount. They are sufficiently significant that the Bank of Canada in publishing its statistics in respect of bank deposits publishes one series with the government deposits included and another with them excluded. So, the difference in magnitude in these deposits can be seen.

Mr. REGAN: The spreading out of these deposits according to a formula regarding division among the various chartered banks was not as a result of any feeling that this is necessary to keep the banks prosperous; was it?

Mr. BRYCE: No. It was just to be fair with them.

Mr. McMILLAN: Under the arrangement a bank makes a deposit of \$20 million this month on which no interest is paid, and in the following month they pay interest on part of that.

Mr. BRYCE: That is right.

Mr. REGAN: What I am perhaps looking at at the moment, Mr. Bryce, is this question. This is something—whether the act says it should be or not—which is indirect compensation being paid to the banks at the present time for handling these cheques, which is recognized in the brief from the banks which refers to it as compensation for handling cheques. In one of the paragraphs you