

APPENDIX No. 130 31-31

Q. To clear up matters in the reports that you thought needed to be cleared up?—A. Yes.

Q. Having got the further information by request from the bank as to its affairs, you act in what way?—A. Well, if they are satisfactory I do not act.

Q. After getting reports from the banks, as Mr. Coote suggests you find that their assets are too largely centered in a few accounts, what is the procedure?—A. Mr. Malcolm, I do not think I am called upon to decide just what the bank shall do with their assets, or shall not do. That is banking business and I am not in the banking business.

Q. That is all right, but what I am trying to get at is to establish the fact there is a need to relieve the Finance Department of the danger of reports not being accurate. The Minister has seen fit to propose that an examiner or some official should be appointed to assist you. If the statement made by a bank to you was not entirely satisfactory to the Finance Department, you would enquire further?—A. I certainly would.

Q. You would be in a more difficult position to correct it, after you got the information, than you would be in if there was an inspection at the head offices to prevent a bank from getting into that condition.—A. Yes, of course it would be more difficult if we found that a bank were in such a condition.

Q. In other words, inspection of the head offices which would, in my judgment cover those large accounts—an inspection of the head office by a Government inspector would take away a lot of the danger of those large accounts existing at all?—A. Yes, it would have that effect.

Q. In your knowledge of banking, you have had occasions, I suppose, where you found accounts of the bank frozen, in a rather non-liquid condition as a result thereof. You have known that to occur in Canada?—A. From the returns sent to us?

Q. That happened in the Home Bank?—A. Yes, but that did not show in the returns.

Q. Of course not, but you know that that occurred?—A. Oh, yes.

Q. You have information that in almost every case where that state of affairs has existed, it has been the result of head office loans?—A. Apparently.

Q. There has never been a case in Canada, to your knowledge where a bank has become involved through lack of head office inspection of its branches?—A. Well, I would not know; I do not know any.

Q. You will admit that in any banks that have become involved the loans have been head office loans; the loans which have caused difficulties to the banks have been head office loans?—A. Yes, so far as I know.

Q. You feel that if the Finance Department had an inspection of head offices, it would eliminate the danger of this type of loan which existed, causing frozen assets of the bank which they could not liquidate?—A. Yes, it would help.

Q. Head office inspection would cover the point?—A. If the officer was a good man and understood his business it would help.

Q. As to those loans, have you found under section 88 advances made to corporations by the banks to be of a type that would keep the bank from liquidating in a reasonable length of time?—A. We have no details of the loans under Section 88. The way we touch on that is where notice of intention is filed.

Q. In the ordinary course of banking business you have no information?—A. No.

Q. But on the occasions when you have inquired further and you got further information—I am not asking you to reveal anything confidential to the De-

[Mr. J. C. Saunders.]