

Bank of Canada Act

Mr. Sharp: I am sure my hon. friend will agree with this, when I say this is not law as yet, and all the governor of the Bank of Canada has done has been, for the convenience of managers, to say that if this does become law this is the way in which he intends to operate. When this bill does become law, then of course he will comply with the requirements of its terms. This is simply a statement of his intention so that the managers of the chartered banks will be aware of it in plenty of time.

Mr. Cameron (Nanaimo-Cowichan-The Islands): The minister says "aware in plenty of time", but are they aware of whether it is going to be a permanent, continually ranging innovation or whether there is a specific period that the bill calls for?

Mr. Sharp: I can assure the hon. member that the governor of the bank will certainly comply with the bill when it becomes law. He is talking about the intention of the government in introducing the amendment, and he is talking about the committee having accepted this proposal. He said, "to avoid any misunderstanding", and he had in mind I believe Mr. Elderkin's explanation to the committee, which must have confused the bankers. He set before them his intention when this bill becomes law and he will of course comply exactly with its requirements.

Mr. Cameron (Nanaimo-Cowichan-The Islands): I do not wish to attack the governor or Mr. Elderkin, but it does seem to me Mr. Elderkin's explanation was more in consonance with the bill than the governor's letter. While he has given the banks notice of the date on which he is going to impose this, he has not told them for how many months he is proposing it. It seems to me if he were going to give them a warning he should have given them a warning about the whole of his actions.

Mr. Sharp: That may be so, Mr. Chairman, but I am sure Mr. Rasminsky did not want to anticipate, any more than he has now. I believe his purpose was to clear up the misunderstanding that arose from Mr. Elderkin's statement in which the contrary, in a sense, was suggested by Mr. Elderkin. I am sure that is the purpose the governor had in writing, because he begins his third paragraph with the words, "to avoid any misunderstanding".

Mr. Fulton: I appreciate the minister's explanation and I accept without any reservation that the conflict between the testimony of the two officials was entirely inadvertent. I certainly agree that was the only mistake Mr. Elderkin made in his presentation during the consideration of a long, complicated piece of legislation, and many complicated amendments. I have no criticism to offer on that score. However, I think the minister will appreciate, and I certainly appreciate his frankness in admitting it, that the effect of the interpretation or explanation given by Mr. Elderkin was to disarm those who are interested in this matter, from a contrary point of view, that is to say the banks on the one hand who do not want to be placed on a twice monthly averaging system, and the members of the committee on the other who feel that no sufficient case was made for placing the banks on a twice monthly averaging system.

We were in a position where an amendment was introduced into the committee which was entirely consistent with Mr. Elderkin's explanation because the first subclause provided that the bank shall maintain a cash reserve, and the second subparagraph reads:

Notwithstanding subsection (1), upon the coming into force of this act, the cash reserve percentage shall be—

Then, there is a reference to 8 per cent of one thing and 8 per cent of something else. If you go right down to subclause (2), you will find no reference to a twice monthly basis. It is not until you get to subclause 3 that you find the following:

Notwithstanding subsection 1, the cash reserve to be maintained by the bank pursuant to subsection 1 in any month following the twelfth month after the coming into force of this act shall, if so required by the Bank of Canada, be not less on the average during each of the two separate periods comprised of the first fifteen days of that month and the remaining days of that month—

It is not until you get to subclause 3 that you find this "notwithstanding" provision. It is therefore consistent with Mr. Elderkin's explanation that what is being taken here, as it were, are stand-by powers to bring in a twice monthly system if the exigencies of the monetary system require it, but normally it will be on a monthly basis. I am not saying the section does not permit the operation outlined in the letter of intent from the governor of the Bank of Canada. It does, although in my submission it is more consistent with Mr. Elderkin's explanation than it is with the method of operation intended to be followed