

Over the past 50 years, as I have said, there have been no Canadian groups that have established a chartered bank in Canada owing perhaps to the tradition that has developed that it was impossible, or at least Mr. Towers seemed to think it was very difficult to do so. The procedure of getting a bank started is very difficult and discouraging; everything works in favour of protecting the existing number of banks and not having very many more. Perhaps the fact that some banks went bankrupt or found it necessary to merge with other banks in the past was considered to be dangerous or to present a difficulty; but perhaps not enough attention has been given to the many changes that have taken place in the world of banking during those 50 years. These are very important changes—and we only have to mention them in order to appreciate their significance—which have provided more security for depositors and shareholders, more protection for the public interest, more opportunities for the profitable use of the funds of the banks, and generally have improved the whole banking and financial machinery in this country.

● (10: 20 a.m.)

At the time of the amendment or revision of the Bank Act in 1911, provision was made for the first time in this country for an outside audit of the affairs of the chartered banks, a so-called shareholders' audit. Until that time there was no audit except by the employees of the bank itself. Those provisions were strengthened in 1923 by amendments designed to ensure that the government was satisfied with the character and ability of the auditors chosen for this purpose. There was a bank failure in 1923 and it was just after that bank failure, which was the last one in this country, 43 years ago, that as a consequence provision was made for government inspectors to be added to the bank audit through the office of the Inspector General of Banks. Since that time there has been no bank failure, although there have been several mergers.

At one time it might have been considered difficult to raise capital for banks because of the double liability laws under which shareholders could be called upon to put out twice as much money as they thought they would have to put up. That seems to have been associated with the liabilities to which banks exposed themselves through issuing bank notes. I think it was at about the same time as the right to issue bank notes was taken away that the requirement of double liability was removed from shareholders.

In addition to structural changes of this sort and changes in the Bank Act, in 1934 the Bank of Canada Act was passed. We have had a central bank operating in this country since then. It is my belief that this makes the banking system more efficient and more safe, and provides the great advantage to all the banks operating under the Bank Act that they have direct access to the Bank of Canada for loans from time to time and that the Bank of Canada takes action on its own initiative to prevent acute crises of credit and currency which might have a bad effect on the banks, and of course on many other institutions.

All these things, therefore, I think make it desirable that people should realize there are opportunities for starting banks in Canada as business operations, starting them under private ownership with the sale of shares, operating them at a profit and having a good investment. I believe there are special opportunities at this time for a new bank in western Canada, perhaps also in the Maritimes, and perhaps several banks in western Canada.