

banks, which carry on their operations under the provisions of the Bank Act, are known by definition in the statute as chartered banks.

The first amendment repeals subsection 14 of section 47 of the act. The new subsection simply repeats what is in the existing statute, with the added provision that a copy of the statement and report submitted at the annual general meeting shall be forwarded to the minister within four weeks after the meeting.

Section 2 of the bill makes a distinction between the deposits made with these two savings banks in foreign currency, and the deposits made in Canadian currency. With respect to foreign currency it is provided that the banks shall maintain adequate reserves against liabilities payable in foreign currency. My information is that this really means that the banks must maintain a reserve equal to 100 per cent of the deposits in foreign currencies. That is to say, whenever any foreign currency is deposited with them, the practice will be for these banks either to purchase such currency or to make deposits in foreign banks.

With respect to the cash reserve to meet deposits in Canadian currency, the banks are obligated under this section 2, which is an amendment to section 55 of the act, to have these reserves in the form of notes or deposits with the Bank of Canada or of deposits with a chartered bank in Canadian currency. This species of security is really notes of cash, and the banks must maintain a reserve of not less than 5 per cent of such of their deposit liabilities as are payable in Canadian currency.

In addition to this 5 per cent they must have a reserve equal to at least 15 per cent of these deposit liabilities in the form of notes or deposits with the Bank of Canada or of deposits with a chartered bank in Canadian currency, or securities of or guaranteed by the Government of Canada or of a province.

The only thing new in section 2 is the distinction made between deposits in foreign currencies and deposits in Canadian currency.

Section 3 of the bill repeals section 59 of the act. It deals with investments these banks may make and it provides—and this is new—that they shall make investments in securities which are defined in the act as being bonds or debentures in a broad and general way, and preferred shares of a corporation, the common shares of which are listed on a recognized stock exchange, or more than one-half the common shares of which are owned by a corporation incorporated in Canada whose common shares are in turn listed on a recognized stock exchange. In other words, they could buy bonds issued

by a company more than half of whose common shares are owned by a corporation incorporated in Canada and whose stock is listed in a recognized stock exchange.

Hon. Mr. Roebuck: Does that include common shares? It says "securities".

Hon. Mr. Power: They can buy bonds or preferred shares in those corporations whose common shares are listed.

Hon. Mr. Roebuck: But it says they can buy the securities of these companies, and common shares are securities.

Hon. Mr. Power: They cannot buy the common shares. Under this section they cannot invest in the common shares of one of these companies, and they can only invest in any of the other securities of a company if its common shares are listed on the stock exchange or more than one-half of its common shares are owned by a corporation incorporated in Canada. There are other provisions, which are already in the act, to the effect that a company whose securities may be invested in must have paid in cash in each of the last five years, out of income earned, a dividend on all its outstanding capital stock, or interest in full upon all its outstanding securities, one or the other. It is further provided that the banks may not invest in such securities more than 15 per cent of their deposit liabilities.

Section 4 of the bill deals with another portion of the assets of the bank, if I may put it that way, although perhaps inaccurately, for the paid up capital and the rest account of the bank properly belong to the shareholders, so to speak, although in the long run the banks are responsible for deposits. Under this section, which is entirely new, it is proposed to give to the banks the right to invest in securities and shares of Canadian corporations, provided the aggregate book value of the investments of the bank under this section, together with the market value of the proposed investment, does not exceed 50 per cent of the paid up capital and rest account of the banks.

Section 5 amends the present provision that a loan shall not be made to any individual in excess of \$2,000. I am advised that the experience in loaning has been very good, and it is now proposed to permit the banks to make loans to individuals to an amount not exceeding \$5,000.

Section 6, which is perhaps a little more complicated, amends the present section which permits the banks to loan money on mortgage. The loans will be restricted to the lesser of 60 per cent of the value of the real or immovable property, or \$100,000. The properties on which these loans are made must be improved real or immovable resi-