

Thursday, February 22, 1934

The house met at three o'clock.

CANADIAN NATIONAL RAILWAYS**TERMINAL FACILITIES AND OTHER WORKS
IN MONTREAL**

Hon. R. J. MANION (Minister of Railways): I beg to lay on the table of the house a report of the work performed and the expenditures made, as of December 31, 1933, together with the estimated expenditures for 1934, under authority of chapter 12, statutes of Canada 1929, of construction by the Canadian National Railway Company of certain terminal facilities, with grade separation and other works at and in the vicinity of the city of Montreal.

BANK ACT AMENDMENT**CONDITIONS GOVERNING TEN YEAR EXTENSION OF
BANK CHARTERS**

Hon. EDGAR N. RHODES (Minister of Finance) moved for leave to introduce Bill No. 18, respecting banks and banking.

Mr. MACKENZIE KING: Will the minister explain?

Mr. RHODES: The occasion which calls for the introduction of this bill is well known to the house and to the country, inasmuch as the charters of the existing banks expire on the 1st day of July of this year. It is some eleven years since a similar measure was introduced in this house—to be exact, on the 20th day of March, 1923—by the then Minister of Finance, the Right Hon. W. S. Fielding, and I think it might not be amiss if I quoted from one or two paragraphs of his introductory remarks on bringing down that legislation on that occasion. These remarks will be found at page 1310 of Hansard of that year. He said:

I think, perhaps, the house will be inconvenienced if I proceed at once, on the motion before us, to state the nature of the bill which I shall have the pleasure of introducing shortly. In that measure the government will bring the best possible judgment they can to bear upon a question of the highest importance, and one of widespread interest. I cannot venture the hope that the conclusions we have reached will be received with unanimity. I am well aware that the question is one concerning which there will be differences of opinion, but I am going to ask, and I think it reasonable to do so, that hon. gentlemen reserve their judgment in the matter, until they have had an opportunity of examining the bill, and, what perhaps is of more importance, an opportunity of participating in or observing the inquiry which will take place before the

committee on banking and commerce. So soon as the early stages of this bill are disposed of, it is my intention to ask the house to refer the bill to the committee on banking and commerce, where there will be abundant opportunity for raising every question in relation to it, and the fullest possible opportunity for inquiry and discussion.

The Bank Act is the fruit of the study of a long line of ministers of finance, of governments and parliaments, and I feel that in the main it has served a good purpose; it has proved itself adapted to the needs of Canada; and I venture the opinion—which, possibly, will not be shared by everybody—that any radical change in the act at present would have a disturbing effect upon the business of the country; it is a class of question upon which we shall do well, I think, to go slowly.

The first provision is of course the one which proposes to extend the charters of the banks for a further period of ten years. Perhaps the most important of the earlier changes is that which will be necessitated by the creation of the central bank, and it arises in connection with the note issue. Section 60 of the present bill continues in force until the day on which the Bank of Canada is authorized to commence business the provisions which presently govern the issue of notes by the chartered banks.

Briefly stated, these provisions limit the total amount of the notes of a bank in circulation at any time to the aggregate of—(a) the amount of the unimpaired paid-up capital of the bank; and (b) the amount of current gold coin and of dominion notes held by the bank in the central gold reserves.

In addition during the crop moving season, it is possible for a bank to issue additional notes to an amount not exceeding 15 per cent of the combined unimpaired paid-up capital and rest or reserve fund of the bank.

Section 61 contains the provisions that will govern note issue after the central bank has been authorized to commence business. On that day, subsections 3 to 18 of section 60 are repealed and thereafter the maximum amount of notes which a bank may have in circulation at any time shall not exceed the amount of its unimpaired paid-up capital. Moreover, beginning with the first day of January, 1936, this maximum is reduced by 5 per cent per year for a period of 5 years and then by 10 per cent per year for another period of 5 years. Thereafter, until parliament further enacts, the amount of notes of a bank in circulation shall not exceed 25 per cent of the amount of its unimpaired paid-up capital. These provisions, however, do not operate to limit the right of a bank to issue its notes outside of Canada in British possessions or colonies as authorized by section 62