

(2) Nothing in subsection (1) shall be construed to prohibit any arrangement between the Government of Canada and the bank concerning interest to be paid on any or all deposits of the Government of Canada with the bank.

(3) No bank shall directly or indirectly charge or receive any sum for the keeping of an account unless the charge is made by express agreement between the bank and the customer.

It should be noted that subsection (2) of clause 93 of this Bill is designed to permit the continuation of the practice of compensating the banks indirectly for services provided to the Crown by keeping non-interest bearing funds (currently an aggregate of \$100 million) on deposit with them.

Mr. HENDERSON: This deals with the practice of the government of maintaining large balances on deposit with the chartered banks, but receiving interest only on balances in excess of an aggregate of \$100 million.

I expressed the view in my 1962 and 1963 reports that this constituted indirect compensation to the chartered banks for services provided to the Crown, and was contrary to section 93(1) of the Bank Act.

My view was discussed at some length in the Committee in 1963 and 1964, when the Committee, in its sixth report, reiterated its belief that if the banks were to be compensated for services provided to the Crown then consideration should be given to the most equitable manner in which this might be done, with statutory sanction being given by means of an appropriate amendment to the Bank Act.

You will recall that this is item 29 of the 1966 follow-up report. This matter is mentioned here to explain that in the third paragraph—and you will see it in the third paragraph on page 34—that in the 1965 session of parliament, as you may recall, Bill C-102 was given first and second readings and referred to the Standing Committee on Finance, Trade and Economic Affairs. I quote it, and you will see that subsection (2) of clause 93 was written in, clearly to permit the continuation of the practice of compensating the banks indirectly for services provided to the Crown by keeping these non-interest bearing funds on deposit with them.

I felt it necessary to draw the manner in which it was proposed to remedy this matter to the attention of the House. We know that a new Bank Act is in course of preparation and will shortly be tabled, but in the meantime we do not know whether or not the same treatment will be given to the disposition of this matter as was given last time. Perhaps Mr. Bryce would care to enlighten the members on this.

The CHAIRMAN: Gentlemen, this is a case where the Crown has on deposit with the chartered banks an average of \$100 million on which the Crown receives no interest. Is that right?

Mr. HENDERSON: That is right

The CHAIRMAN: Mr. Bryce, do you want to speak to that?

Mr. BRYCE: The substance of this was discussed earlier, sir, and we agreed, I think, to include something in the Bank Act to make more abundantly clear that the arrangement we had would not be subject to subsection (1) of section