

restrain banks, through its branches, in remote portions of the country from charging unreasonably high rates of interest. Such restraint could be practised by the Federal Reserve Bank loaning money (under its open market privileges) direct to the people at a low rate of interest;

- (g) To act as a disciplinary body for banks which might be disposed to engage in questionable undertakings on a large scale or depart from the usual banking practices so as to endanger the deposits of the general public and the shareholders of the bank. The Federal Board to have the necessary powers through committees to investigate the member banks, their business operations, their assets and liabilities, with a view of protecting the public;
- (h) To exercise, through its boards of directors, inspection in a general way for unusual financial operations of the member and other banks;
- (i) To carry out the duties, generally speaking, such as are now performed by the Treasury Board and the trustees of the gold reserve and the Department of Finance with respect to note issue, pledge of securities and banking operations under the Finance Act of 1914 and all other banking functions operated by the Department of Finance, with the exception of such supervision and control by the Government for the Federal Reserve Bank as circumstances may warrant to protect the public interest in connection with those matters.

Now, Mr. Phipps, have we any system of handing over market operations as the United States does?—A. I do not get the drift of your question.

Q. In the States, if there is a restricted line of credit, and the rate of interest goes up too high, it is only on those occasions that the Federal Reserve Bank steps in, in the interest of the public, to control the rate of interest, and provide the funds. You know that?—A. Yes.

Q. Have you any such provisions in Canada under our Canadian Banking system?—A. We do not require them. Our banks are the same bank right across the country.

Q. But supposing there was only one bank. In parts of Canada, there are certain banks in certain localities, and perhaps the rate of interest goes up? Or do they?—A. Very little. We do not require that.

Q. You think a particular bank, of its own volition, would not put up a high rate of interest?—A. Precisely.

The CHAIRMAN: I gather that there is no limit to which they can carry it, if they so desire.

*By Mr. Ladner:*

Q. If they want to, they could put on any charge they could get?—A. By reason of the Bank Act they cannot recover a rate of interest in excess of seven per cent.

Q. I agree with you that our banks do not generally do it?—A. No.

Q. That is a matter of good business. Referring to the memorandum which I have filed, in the United States, the Federal Reserve Bank acts as a fiscal agent of the Government, does it not?—A. Yes, I believe so.

[Mr. Albert E. Phipps.]