

(1) *Note Issue*.—The changes under this heading: (a) preclude any new bank that may be incorporated from having any right to issue bank notes; (b) limit the right of existing banks to issue or re-issue bank notes in Canada to the period ending Jan. 1, 1945, and in that period only up to the present limit of 35 p.c. of their unimpaired paid-up capital; (c) require existing banks to reduce their note issue by Jan. 1, 1945, to 25 p.c. of their unimpaired paid-up capital, thereafter until Jan. 1, 1950, to take away from them the right to issue or re-issue their notes and to require them to retire all their notes outstanding in Canada by Jan. 1, 1950; (d) to allow existing banks to continue to issue notes for circulation outside of Canada but only up to a maximum of 10 p.c. of their unimpaired paid-up capital.

(2) *Inactive Accounts*.—Every inactive account, wherein no transaction has taken place and no claim has been made for a period of ten years, shall be turned over (together with interest, if any, to the date of payment) by the chartered banks to the Bank of Canada and, thereupon, the liability of the chartered banks in respect to the debt ceases and is taken over by the Bank of Canada. If payment be later demanded by a person who was originally a creditor of a chartered bank or by his legal representatives, the Bank of Canada shall pay the amount paid to it together with such interest, if any, as is due. After completion of a twenty-year period, the Bank of Canada will continue to be liable to pay the amount and the accumulated interest but interest will not continue to accumulate after that time.

(3) *Interest Rates Chargeable by the Chartered Banks*.—Very important changes are proposed in respect to Section 91 of the Bank Act. In keeping with the decline in interest rates which has occurred in recent years, it is proposed to reduce the maximum rate from 7 p.c. to 6 p.c. per annum. Another proposed amendment to this same section of the Bank Act introduces a radical change in Canadian banking practice by making possible participation by the chartered banks in the small-loan business, where such loans, evidenced by promissory notes not supported by collateral, do not exceed \$500. Such loans are repayable in substantial equal monthly installments and the bank may charge a rate that does not exceed a rate resulting from a discount of 5 p.c. on a one-year loan repayable in equal monthly installments: this is equivalent to an effective interest rate of $9\frac{1}{2}$ p.c. per annum—considerably less than half the rate that small-loan companies and personal money lenders are at present permitted to charge on similar loans. The Minister pointed out that, in his desire to keep maximum charges low, he may easily have gone too far and would like the Banking and Commerce Committee to hear evidence from the banks as to how far it was possible to do this type of business under the terms suggested in the Bill.

(4) *The Simplification of Borrowing Procedure for Certain Types of Business other than Farmers and Fishermen*.—In certain types of business borrowers find it necessary frequently to turn over goods upon which security is advanced. In the past fresh security has had to be given every time new materials were acquired. The proposed amendment would greatly reduce the inconvenience to such borrowers by recognizing security given at the outset as security for all loans made or to be made under a revolving line of credit covering raw materials as they are acquired and manufactured.