

R E P O R T

TO HIS EXCELLENCY, THE RIGHT HONORABLE LORD BYNG OF VIMY,
G.C.B., G.C.M.G., M.V.O., etc., GOVERNOR GENERAL OF
THE DOMINION OF CANADA.

I, the undersigned Commissioner appointed by Royal Commission under the Corporate Seal of the Dominion of Canada, pursuant to a report of the Committee of the Privy Council approved on the twenty-seventh day of June, 1921, to enquire into all irregularities and frauds of any kind whatsoever in connection with the payments at par of exchange of sterling drafts, official cheques, letter and cable transfers, British money orders and British currencies to members of the Canadian Expeditionary Forces in respect of any representing moneys received by them for pay and allowances and also in respect of pensions, and also in respect to like privileges extended to members of the Imperial forces domiciled in Canada on the 4th day of August, 1914, and also in respect to payment made at par to others than returned soldiers and pensioners, report that having taken upon myself the burden of the said commission sittings were holden at the Cities of Ottawa, Toronto, Montreal, Vancouver and Victoria, where I was attended by Mr. John M. Godfrey, K. C., Colonel, R. J. Orde, Counsel for the Government, Mr. Montague Powell, Counsel for Mr. R. P. Brown, and Mr. P. D. Wilson, Counsel for Messrs. Low and Hubbell, and whereupon after hearing the evidence adduced and what was alleged by Counsel aforesaid, and after weighing and considering said matters, beg to submit the following report.

On the Fourth day of December 1918, the then Deputy Minister of Finance, Mr. T. C. Beville, wrote the following letters to Mr. A. G. Parker, Manager of the Bank of Montreal, Ottawa, and to Major General Sir Eugene Fiset, Deputy Minister of Militia and Defence,-

DEPARTMENT OF FINANCE
OTTAWA, Ont. December 4th, 1918

" A. G. Parker, Esq.,
" Bank of Montreal,
" OTTAWA, Ont.
" Dear Mr. Parker,-

" Referring to our conversation over the telephone yesterday, the
" Department appreciates very much the prompt action on the part of the Bank of
" Montreal to undertake the exchange of British for Canadian money for the
" benefit of soldiers arriving in Canada.

" I enclose herewith a copy of a letter I have written to General
" Fiset asking that every facility be given to the Bank to enable the Officials
" to carry out the work successfully. The rate of exchange will, of course, be
" the par rate of \$ 4.86 2/3 per £1, silver and bronze coin in the same proportion,
" and the arrangement will cover not only coin but British Notes.

" The Department will be willing to make arrangements later on
" for the disposal of any accumulation of British funds which the Bank may
" have as a consequence of this arrangement."

" Yours very truly,

" Sgd. T. C. Beville

" Deputy Minister of Finance.

" DEPARTMENT OF FINANCE, Ottawa, Ont.

" 4th December 1918.

" Major General Eugene Fiset,

" Deputy Minister of Militia & Defence;

" O T T A W A, Ont.

" Dear General Fiset,

" Canadian Soldiers are now returning in large numbers under your
" demobilization scheme. They are no doubt bringing with them from London
" and on the ships, British coin and currency. For the convenience of the
" soldiers I have arranged with the Bank of Montreal that Officials of that
" institution will be on hand on the arrival of ships at Halifax or at any
" other point of which you may advise me to exchange British money into
" Canadian. The rate of exchange will be the par rate of \$4.86 2/3 to
" each pound.

" It would be a great convenience to the Bank if their Officials could
" have access to the ship before she docks, and I shall be very much
" obliged if you will have instructions given to afford the Bank every
" possible opportunity in this regard to carry out successfully this very
" necessary part of the demobilization. It will certainly be a great
" convenience to the soldiers themselves. It would be advisable in your
" scheme to give the Bank early intimation of the number and destination
" of the ships arriving conveying troops."

" Yours very truly,

" Sgd. T. C. Beville

" Deputy Minister of Finance

" It should be noted that the money to be exchanged at par- under
" the above arrangement- was British coin and currency.

" On February 5th, 1919, Sir Frederick Williams Taylor, General
" Manager of the Bank of Montreal, wrote the following letter to Mr. Beville-

" HEAD OFFICE

" BANK OF MONTREAL, MONTREAL

" February 5th, 1919.

" Dear Mr. Beville,

" With reference to the arrangement as between the Government
" and the Bank for the redemption of Sterling currency at par for returned
" soldiers at the ports of arrival or elsewhere in Canada, it has been
" brought to our attention that a hardship is worked on Officers and men
" overseas who, to avoid the risk of bringing money out to Canada in their
" pockets, request the Bank in London to transfer it to their credit at
" one of our Branches in Canada, thereby making a small loss in exchange.

" Under the existing method, they can withdraw their funds
" from the Bank and deposit them with the Conducting Paymasters, who would
" allow them the par rate. To avoid this unnecessary inconvenience which
" in due course involves extra work for your Department, the Paymasters and
" the Bank, we suggest that the arrangement in question be extended to
" include funds transferred from the Bank of Montreal, London, to a Canadian
" Branch for the credit of a member of the Canadian Expeditionary Force.

" As the rate of exchange now current between London and
" Montreal is only slightly below par, the difference would not be material,
" but it is difficult to explain this to the returning men. If you will
" give your consent to the transference of their funds at par in the
" manner indicated, the privilege will be much appreciated by the men and
" advantageous to all concerned. I am,

" Yours very truly,

" Sgd. F. Williams-Taylor,

" General Manager.

" T. C. Boville, Esq.,
" Deputy Minister of Finance
" Ottawa, Canada.

To this letter Mr. Boville replied on February 6th, 1919, as follows:

" DEPARTMENT OF FINANCE
" OTTAWA, CANADA.
" 6th February 1919.
" Sir Frederick Williams-Taylor, K. C. B.,
" Bank of Montreal,
" Montreal, P. Q.

" Dear Sir Frederick Williams-Taylor:-

" I beg to acknowledge receipt of your letter of the 5th instant,
" with reference to the arrangement which you were good enough to make for the
" redemption of sterling currency at par from soldiers at ports of arrival
" or elsewhere in Canada.

" Your suggestion that the arrangement in question be extended to
" include funds transferred from the Bank of Montreal, London, to a Canadian
" branch for the credit of a member of the Canadian Expeditionary Force is
" very reasonable, as it will facilitate the service which is very much for
" the benefit of the returned soldier and at the same time will involve
" practically very small loss in exchange.

" The suggestion meets with the approval of the Department.

" Yours very truly,
" (Sgd) T. C. Boville
" Deputy Minister of Finance.

As a result of this arrangement entered into between Sir Frederick Williams-Taylor and Mr. Boville, all funds belonging to any Canadian soldier in England could be transferred through the branch of the Bank of Montreal in London to any branch of the same Bank in Canada at par, the Government subsequently paying to the bank the difference of exchange between the market rates and par. It was contended by Mr. Boville in his evidence that it was understood that moneys and transfers arising from pay and allowances only were to be redeemed or converted but nothing appears in the correspondence to that effect.

In May or the early part of June 1919, the Department of Finance would appear to have approved of the redemption of British currency and conversion of official cheques and drafts by the other Banks in Canada in addition to the Bank of Montreal. In the months of May and June 1919, Mr. Boville also had several interviews with Mr. R. P. Brown, Chief Accountant of the Militia Department, in which Mr. Boville expressed his fear that frauds were being committed in connection with the exchanging of British money. Mr. Boville requested Mr. Brown to take over - on behalf of the Militia Department - conversion of official cheques and

drafts but not the redemption of British currency. After some discussion Mr. Brown agreed to do so and the arrangement come to between them is set forth in a letter dated June 2nd, 1919, from Mr. Neville to Mr. Brown, which is as follows:-

" DEPARTMENT OF FINANCE
" OTTAWA, CANADA
" June 2nd, 1919.
" R. P. Brown, Esq.,
" Accountant
" Department of Militia and Defence,
" Ottawa,

" Dear Mr. Brown:-

Referring to our recent conversation with regard to your Department taking over from the Banks sterling drafts and letter and cable transfers representing pay and allowances of soldiers, we have informed the various banks that they may pay these transfers at par and collect from your Department on furnishing you with satisfactory proof that the funds represent pay and allowances of soldiers. In regard to cable and letter transfers I would suggest that the Bank making application for payment deposit with your Department a draft on their London Office for the sterling equivalent.

" Yours faithfully
" Sgd. T. C. Neville,
" Deputy Minister of Finance

On June 9th 1919, Mr. Brown issued a circular to the Bank

Managers in Canada, as follows:

" The Manager, H. Q. 34-21-1-44
" Bank of Montreal (Also all Banks)
" Ottawa.

" Dear Sir:-

With reference to the information given out by the Finance Department, requesting the various banks to pay Sterling Drafts and Letter and Cable Transfers, representing pay and allowances of soldiers, it has now been confirmed that such transfers that are paid at par, should be passed for collection to the Chief Accountant, Militia and Defence, Ottawa, but it is understood satisfactory proof is to be furnished that the funds represent pay and allowances for soldiers only. It is requested that a form of certificate be obtained from the Paying Branch, this certificate to be signed by the Manager, and for the sake of uniformity, I would suggest that the following form be used.

" This is to certify that the attached draft,
" Letter or Cable, Transfers issued.....for £.....
" has been cashed by this Branch for \$.....at par of
" exchange, and that the Payee of the draft, Letter or Cable
" Transfer is known to be a bona fide Canadian soldier, and
" the funds are represented by the attached draft, cover pay
" and allowances only. Regimental Number, Rank, Battalion of
" Payee is....."

In addition to the paying Branch signing this form it might be well to have the payee sign also, indicating the Number, Rank and Battalion, which would guard against any possible mistakes. In so far as Pay and Allowance or the War Service Gratuity Cheques issued by the Overseas Military Forces of Canada, London, England, are concerned, these should also be paid at par, and where properly endorsed, and the Payee being the beneficiary, of the soldier, the above certificate will of course, not be applicable, the amount paid in Canadian currency need only be stated. These cheques should also be forwarded direct to the Chief Accountant, Militia and Defence for collection, when a cheque for the par equivalent in Canadian currency will issue. With regard to Cable and Letter Transfers, it is requested that when making application for payment, that you deposit with the Department, a draft on your London Office for the Sterling equivalent.

" I have not addressed your Head Office with the above particulars,
" as I consider that the Ottawa Branch will be immediately concerned, and no
" doubt you will take whatever action you may deem necessary, with regard to
" having this advice made general.

" Yours truly,
" Sgd. R. P. Brown,
" Chief Accountant,
" Militia & Defence,

The certificate referred to in this circular appears to have been submitted to Mr. Boville and approved by him. While supervision of the conversion at par of official cheques, drafts, letter and cable transfers was thus transferred to the Militia Department, control and oversight of the redemptions of British currency was still retained in the hands of the Finance Department.

On June 14th 1919, the following circular, approved by Mr. Boville, was sent to the various Banks by Mr. Ross, Secretary of the Canadian Bankers Association:

" THE CANADIAN BANKERS ASSOCIATION
" Office of the Secretary
" Montreal, P.Q. June.....1919

" DRAFT

" Circular No.-

" The General Manager,

" Dear Sir,-

STERLING CURRENCY

" The Deputy Minister of Finance has authorized the branches of the
" banks in Canada to accept from bona fide returned Canadian Soldiers sterling
" currency, either notes or subsidiary coinage at par; that is \$ 4.86 2/3 per
" pound sterling, at which rate the Deputy Minister of Finance on behalf of the
" Government has agreed to reimburse the Bank. The currency so purchased shall
" be carefully recorded and held as part of the teller's cash until the 15th of
" each month, when it may be forwarded to the Ottawa branch of the Bank. If the
" Bank has no branch at Ottawa then the amount is to be forwarded to the Head
" Office of the bank, redemption by the Department in such case to be arranged
" from Head Office.

" In making presentation for redemption to the Department of Finance
" the consignment should be accompanied by a statement from the bank that this
" currency has been taken at \$ 4.86 2/3 from soldiers only.

" Notes and silver coins should be sent in separate parcels insured
" for their full value, and the expense of shipment and insurance to be borne
" by the remitting bank. Care must be taken to see that no mutilated coins are
" included.

" It must be distinctly understood the Deputy Minister of Finance
" stipulates, that only soldiers returning from overseas are entitled to the
" preferred rate, and adequate steps must be taken to guard against accepting
" currency from speculators who may endeavour to take advantage of this
" arrangement to make a profit at the Government's expense.

" Yours truly,
" (Sgd) H. T. Ross,
" Secretary,

It will be noted from the above circulars that Banks cashing official cheques and drafts for conversion through the Militia Department were required to take certificates that such cheques and drafts represented pay and allowance only, whereas, apparently, the only stipulation made by the Department of Finance in respect of British currency to be redeemed was that it should be presented by soldiers returning from overseas.

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On November 24th, 1919, the privilege of exchanging British money

at par was by Order in Council extended to members of the Imperial Force who were bona fide domiciled in Canada at the outbreak of the war and who saw service in such forces.

The following is a copy of the Order in Council:

" COPY P. C. 2347
" Certified copy of a Report of the Committee of the Privy Council approved by
" His Excellency, The Governor General, on the 24th November 1919.
" The Committee of the Privy Council have had before them a report,
" dated 19th November 1919, from the Minister of Finance, stating that amongst
" other recommendations submitted to Parliament and approved by the Special
" Committee of the House of Commons on Bill No. 10 "An Act to amend the Depart-
" ment of Soldiers Civil Re-establishment Act" is the following:

" It is recommended that the Finance Department should make
" arrangements for the cashing at par of cheques issued by the British
" Government in payment of pay and allowances, gratuities or pensions for servi-
" in the Imperial Forces, of those forces".

" The Minister recommends that authority be given to the Department
" of Finance to put into effect the recommendation of the Committee: that the
" claim of a person to the benefit of the recommendation above mentioned shall
" be substantiated by such certificates, statutory declaration or other evidence
" as may be prescribed by the Minister of Finance, and that the expenses
" resulting therefrom be charged to Vote for Soldiers Civil Re-establishment
" To carry out the recommendations of the report of the Committee on Bill No. 10
" (Soldiers' Civil Re-establishment).

" The Committee concur in the foregoing recommendations and submit th
" same for approval.

Sgd. Rodolphe Boudreau"
Clerk of the Privy Council.

This would appear to be the first time that the conversions and redemptions were dealt with by Order in Council.

In November 1919, arrangements were made by Mr. Boville for payment of the difference in exchange to Soldiers who had returned from Overseas and had cashed sterling drafts, cheques or currency at Banks before authority was given to the Department of Finance to redeem the same at par. A form of affidavit was prepared by Mr. Brown (payment of such differences having been committed to the supervision of the Department of Militia) to be executed by the Soldier applying for payment of such differences: also a certificate to be signed by the Bank where the original transaction was effected, and a certificate to be executed by the Bank making payment of the difference in exchange.

These were as follows:

" Province of) IN THE MATTER OF STERLING EXCHANGE
 " To Wit)

" I,
 " of in the Province of
 " returned soldier or sailor, DO SOLEMNLY DECLARE
 " 1. That I was a resident of Canada before the War, and that I left Canada to
 " serve in the Imperial Forces, or was transferred from the Canadian to the
 " Imperial Forces on the day of 19
 " 2. I received from the (Bank) at Branch the sum of \$
 " in payment of an official cheque, bank draft, letter or cable transfer,
 " issued for £ that the funds as represented by the cheque or
 " draft, letter or cable transfer, cover only Pay and Allowances, Gratuities or
 " Pensions for my Military or Naval Services, and that I am the person entitled
 " to the payment of an amount equivalent to the difference between the sum of
 " \$ which I received, and the sum of \$ the equivalent
 " of £ at \$4.86 2/3 to the pound sterling.

" AND I MAKE THIS SOLEMN DECLARATION conscientiously believing
 " it to be true and knowing that it is of the same force and effect as if made
 " under oath and by virtue of the "Canada Evidence Act"

" Declared before me at the City)
 " of in)
 " the Province of) Number Rank
 " this, day of 19

" A Commissioner for taking affidavits
 " in and for the Province of

" CERTIFICATE OF BANK OR FIRM, WHERE ORIGINAL PAYMENT WAS MADE.
 " This is to certify, that on or about a draft or official cheque,
 " representing pay, allowances, gratuities or pensions, amounting to £
 " drawn in favour of was negotiated by us for the
 " amount of \$

signature,
 of Manager

" CERTIFICATE OF BANK PAYING DIFFERENCE IN EXCHANGE,
 " The (Bank) hereby certifies that the amount of \$
 " has been paid to the above named soldier, representing the difference in the
 " rate of exchange as originally paid and par,

signature
 of Manager

The Banks were circularized to this effect and copies of the forms
 sent to them.

In the month of December 1919, information had reached the Bank
 of Montreal that frauds were being attempted in connection with the redemptions
 of British currency. As a consequence Sir Frederick Williams-Taylor issued
 the following circular to the Managers of the various branches of the Bank
 of Montreal, a copy of the same being sent to the Department of Finance:

BANK OF MONTREAL
Head Office

Montreal, December 12, 1919.

Circular No. 3639

The Managers,

Bank of Montreal,

Gentlemen:

Sterling Conversions for Returned Soldiers.

It has come prominently to our notice that the arrangement whereby the Bank, under Government authority is exchanging sterling notes at par for returned men, is being abused. At certain points a number of sharp-witted individuals are making a business of gathering up notes, presumably at the current rate, and exchanging them at the banks at par without interference.

In order that none of our branches may be open to criticism in this regard, the Managers will please give instructions to their tellers that no exchange of sterling notes be made beyond the extent of say £20 to any one person. In every case a certificate in form similar to that in use in connection with sterling cheques must be taken from the applicant, such certificate to be filed for future reference. Whenever larger sums than £20 are offered for exchange, the applicant's pay book should be presented and if it is not clearly shown therein that the amount offered corresponds to the sterling entries made just prior to leaving England, the party should be referred to the District Paymaster at the headquarters of your Military District, whose recommendation the Bank may properly act upon.

At points where we have more than one branch, all applications of this nature should, from this onwards, be referred to the main office.

Yours obedient servant,

Sgd. P. W. Taylor.

General Manager.

On receipt of a copy of this circular Mr. Benville wrote the following letters to the Deputy Minister of Militia and Mr. Ross, Secretary of the Canadian Bankers' Association:

DEPARTMENT OF FINANCE
OTTAWA, Canada.

December 18th, 1919.

Major General,

Sir Eugene Fiset,

Deputy Minister of Militia & Defence,

Ottawa.

"Dear General Fiset:

The time has now arrived when we shall have to tighten the strings on the arrangement under which we cash at par the Sterling currency of returned soldiers representing their pay, allowances, etc. Accordingly, I am sending you a copy of a letter addressed to the Secretary of the Canadian Bankers' Association, Mr. Henry T. Ross, asking that he advise the banks that the arrangement will terminate on the 22nd December and that any claims of this kind must be made to your Department by the soldiers themselves.

Yours very truly,

" T. G. Benville"

Deputy Minister of Finance.

FINANCE DEPARTMENT

Ottawa, December 18th 1919

" Henry T. Ross, Esq.,
" Secretary, Canadian Bankers' Association,
" Toronto, Ont.

" Dear Mr. Ross:

" Referring to the arrangement under which the Canadian banks redeem
" at par Sterling currency representing pay, allowances, etc. of returned
" soldiers, the time has now arrived when the general arrangement should be
" terminated. I have to ask you, therefore, to be good enough to advise the
" banks that from the 22nd December, 1919, the arrangement will cease. Any
" claims for consideration in this respect must be taken up direct with the
" Militia Department who have control over the demobilization of the Canadian
" Expeditionary Forces".

Yours very truly,

" T. C. Boville"
Deputy Minister of Finance

With the issue of these instructions the redemption of British
currency through the medium of Banks and the Department of Finance was terminated
and arrangements were made between Mr. Boville and Mr. Brown that commencing
January 1st, 1920, the Militia Department should take over the conversion of all
British currency. To prevent frauds being effected the following Declaration
was then prepared and instructions issued to Banks and Officials of the
Accountant's Branch of the Militia Department that such declaration was to be
taken in all cases where application for redemption of British currency was
made.

" Province of)
" To Wit)
") IN THE MATTER OF BRITISH MONEY

" I,
" of in the Province of
" Returned Soldier, or Sailor, DO SOLEMNLY DECLARE:

" 1. That I was a resident of Canada before the War, and that I joined and
" was an active member of the Canadian Expeditionary Force and or His Majesty's
" Imperial Forces, and am now domiciled in Canada, and that the British Sterling
" money now presented for payment at par of exchange \$ 4.86 2/3 represents my
" Pay and allowances, Gratuities or Pensions only due me for service in such
" forces.

" 2. That I am the right and proper person to receive the benefit of the
" par value of the pound sterling from the Canadian Government, under the Order
" in Council authorizing payment at par.

" 3. That these Notes amounting to which represent monies due me for
" my Military Service as above stated, were brought by me or my dependents from
" Overseas.

" 4. That I have previously cashed at the Bank (name.....
" Sterling Notes to the amount of £ and for which I received
" par.

" AND I MAKE THIS SOLEMN DECLARATION conscientiously believing it to be
" true and knowing that it is of the same force and effect as if made under
" oath and by virtue of "The Canada Evidence Act".
" Declared before me at the)
" of in) Signature

" the Province of
" this day of 19 Number Bank Unit

" A Commissioner for taking affidavits in and
" for the Province of"

On the 29th day of July 1920, the following Order in Council
relative to the conversion of amounts covering pensions and allowances pay-
able to members of the Imperial Forces domiciled in Canada, and as to the
payment of differences in exchange on transfers theretofore effected, at
market rates of exchange, was passed:

COPY - P.C. 1761

" Certified copy of a Report to the Committee of the Privy Council
" approved by His Excellency the Administrator on the 29th July 1920.

" The Committee of the Privy Council have had before them a report,
" dated 3rd July 1920, from the Minister of Finance, stating that amongst
" other recommendations submitted to Parliament and approved by the Special
" Committee of the House of Commons appointed to consider the question of
" continuing War Bonus to Pensioners, and any amendments to the Pension Law
" which may be proposed; also, to continue the inquiries instituted by the
" Committee on Civil Re-Establishment last Session, etc., is the following:

" Recommendation:- While your Committee thinks this obligation
" might well be assumed by the Imperial Government and that representations
" to that effect should be made, it recommends in the meantime that the
" Department of Finance, should make arrangements to continue cashing at
" par cheques payable in sterling issued by the British Government or by
" the Board of Pension Commissioners on behalf of the British Government in
" payment of pay and allowances, gratuities or pensions to or in respect of
" ex-members of the Imperial Forces when resident in Canada or to the depend-
" ents when resident in Canada of such ex-members of the Imperial Forces
" provided such ex-members of the Imperial Forces were bona fide domiciled
" and resident in Canada on the 4th of August 1914".

" The Minister recommends that authority be given to the department
" of Militia and Defence to continue to put into effect the recommendations
" of the Committee as follows:

- " (1) All sterling drafts, official cheques, letter and cable transfers,
" British Money orders, and British currency that represent Pay allowances,
" pensions and gratuities of members of the Canadian Expeditionary Force
" and the Imperial Forces, including their dependents, to be redeemed at par
" upon the actual presentation of the aforementioned Sterling drafts, offic-
" ial cheques, letter and cable transfers, British money orders and British
" currency.
- " (2) As recommended by the Committee, it is provided that these regulations
" extend only to those members of the Imperial Forces who were actually dom-
" iciled in Canada at the outbreak of the war, and that Certificates and
" affidavits be obtained in support of all redemptions and claims.
- " (3) Also to provide for the cash payment of the difference in exchange,
" that is, in old or previous transactions where the soldier was paid in Can-
" adian currency at market rate of exchange. This is not to apply to the pay-
" ment of the difference in exchange on current transactions which is provided
" for in the first recommendation herein for the redemption of the sterling
" at par.

" The Minister further recommends that the expenses resulting
" therefrom be charged to Demobilization Appropriation 1920-21, Department
" of Militia and Defence.

" The Committee concur in the foregoing recommendations and
" submit the same for approval.

Sgd. Rodolphe Boudreau,
Clerk of the Privy Council.

such Order in Council being amended by a further Order in Council approved on the 21st day of August, 1920: which was as follows:

" COPY P.C. 2009- Privy Council Canada. -
" Certified copy of a Report of the Committee of the Privy
" Council approved by His Excellency The Governor General on the 21st
" August 1920.
" The Committee of the Privy Council have had before them a
" report, dated 10th August 1920, from the Right Honorable Sir George
" E. Foster, for the Minister of Finance, representing that the Order
" in Council dated the 29th July 1920, P.C. 1761 - authorized the
" Department of Militia and Defence to put into effect the recommendat-
" ions of the special committee of the House of Commons appointed to
" consider the question of continuing War Bonus to Pensioners, and any
" Amendments to the Pension Law that may be proposed, also to continue
" the enquiries instituted by the Committee on Civil Re-Establishment
" last session etc., and among other things, gave authority to the
" Department of Militia to provide for the making of certain payments
" defined in section (3) of the second paragraph of said Order in Council
" which paragraph is as follows:
" (3) Also to provide for the cash payment of the difference in
" exchange that is, in old or previous transactions where the soldier
" was paid in Canadian currency at market rate of exchange. This is not
" to apply to the payment of the difference in exchange on current trans-
" actions which is provided for in the first recommendation herein for the
" redemption of the Sterling at par".
" The Minister points out that the language of the paragraph
" above quoted does not clearly set out the intention of the recommendat-
" ion made by the said Committee of the House of Commons, and might give
" rise to claims by members of the Canadian Expeditionary Force to pay-
" ments of amounts representing the difference between the par rate of
" exchange and the market rate of exchange on payment hitherto made to
" them overseas in English currency, with which difference of exchange
" it was not the intention of the Committee to deal.
" The Minister, therefore, recommends that the said section (3)
" of the second paragraph of the above mentioned Order in Council, be
" amended by adding thereto the following words:
" Nor to apply to payments heretofore made overseas in British
" funds to members of the Canadian Expeditionary Force, but only to amounts
" representing pay, allowances, pensions and gratuities heretofore trans-
" ferred to Canada by members of the Canadian Expeditionary Force, and
" which may have been so transferred at market rate of exchange".
" The Committee concur in the foregoing recommendation and submit
" the same for approval.

Sgd. Rodolphe Boudreau,
Clerk of the Privy Council

Under the provisions of the Orders in Council and pursuant to the arrangements mentioned British currency was redeemed and sterling funds converted (or differences in exchange paid thereupon) to the following extents:

- (a) Sterling notes, silver and bronze currency was converted in the period between February 1st, 1919 and December 31st, 1919, at docks and at branch banks throughout Canada (such banks being in turn reimbursed in Canadian funds at par by the Department of Finance) - to the amount of \$ 7,416,936.61
- (b) Amounts on deposit in the Bank of Montreal London, England, to the credit of upwards of ten thousand soldiers, were in the period between February 10th, 1919, and September 16th, 1919, transferred by the Bank to the credit of such soldiers in branches of the Bank in Canada - to the extent of 4,230,792.45
- (c) Sterling drafts, cheques and letter and cable transfers were in the period between June 16th, 1919, and June 8th, 1921, converted at par of exchange for returned soldiers by various banks in Canada - such banks being reimbursed in Canadian funds at par by the Department of Militia and Defence - to the extent of 6,975,424.90
- (d) Sterling notes, silver and bronze currency presented in the period between January 1st, 1920, and May 11th, 1921, and redeemed through Banks in Canada (which banks were in turn reimbursed in Canadian funds at par by the Department of Militia and Defence) and sterling notes, silver and bronze currency received by the Department of Militia and Defence direct from the returned soldiers and converted by it at par, amounted to 692,234.07
- (e) Between January 13th, 1920, and June 8th, 1921, amounts aggregating \$234,245.17 were paid by the Department of Militia and Defence in respect of differences in exchange upon sterling transfers converted by returned soldiers through Banks in Canada at market rates. Based on the average differences between par and market rates of exchange in 1919 and 1920 the aggregate of the amounts so paid, \$234,245.17, was expended in respect of transfers of approximately 2,129,166.66

To the above must be added the following transfers to Canada made at par of exchange through the Overseas Branch of the Paymaster General's Department, and the Department of Militia and Defence, Ottawa:

- (f) Sterling funds deposited by soldiers with the Overseas Pay Office, which were transferred to Canada and paid to their representatives or placed to their own credit in Canada - 1,553,483.32
 - Between March 1, 1916 and March 31, 1919, \$922,699.93
 - Between April 1, 1919 and Sept. 30, 1919, \$630,783.39

making the total of sterling funds converted and currency redeemed in respect of which par of exchange was paid, approximately -- \$22,998,038.01

On April 9th, 1921, two returned soldiers, named Sgt. A. E. Hill and Capt. A. E. Robinson, were arrested and charged with fraud in connection with the exchange by them, at par, of British currency. Robinson was, at the time of his arrest, employed in the Department of Soldiers Civil Re-Establishment at Ottawa, while Hill was a member of the Ottawa Police Force.

Hill had effected two conversions at par, in his own name, as follows:

On October 29th, 1920, £325, par value \$1,581.66
On February 4th, 1921, £275, par value \$1,338.33

while, also, one, Gordon J. Munroe, had on March 10th 1921, converted £304, par value \$1,479.45 for Hill in Hill's name.

In addition, commencing November 22nd, 1920, Hill had (on the statement that he had received a legacy from England which he wished to convert at par) adopted the practice of sending returned soldiers to the office of the Chief Accountant of the Militia Department with British notes for exchange into Canadian currency. The reason he gave to such men for not presenting the money himself was that he had already made conversions in his own name. He also told them that if they would see either Mr. Low or Mr. Rutbell of the Militia Department the matter could be arranged without difficulty. In all Hill put through 43 transactions and converted, either direct or through the returned soldiers mentioned, amounts aggregating £14,913-10-0- the par value of which was \$71,408.93-at a profit to himself of \$8,354.97.

Included in the above redemptions were three made by Robinson, namely;

March 22nd, 1921, £485, par value \$2,360.33
April 5th, 1921, £720, par value \$3,504.00
April 7th, 1921, £964, par value \$4,691.45

In his evidence Robinson stated that such exchanges were made by him for Hill. When the cheque for the last amount was presented at the Bank to be cashed the Manager telephoned Capt. J. P. Waddington, Accountant of the D.S.C.R., and asked for an explanation as to how such a large cheque came to be presented. The enquiry aroused the suspicions of Capt. Waddington, whereafter investigation was made resulting in the arrest of the two men. It is doubtful if the frauds would have been discovered had it not been for the vigilance and activities of Capt. Waddington.

In addition to the frauds perpetrated by Hill and Robinson, frauds of a similar nature were committed by one, Sgt. Dononey, who procured the exchange of British currency at par to the value, as admitted, of upwards

of \$10,000. The methods employed by Domoney were similar to those used by Hill. Domoney was not brought before the Commission by reason of his arrest and commitment for trial. With his trial he was found guilty and sentenced to two years' imprisonment in Kingston Penitentiary.

Careful consideration of the evidence given in connection with the Hill and Robinson frauds has led me to the conclusion that responsibility for them must be borne largely by Philip Low and Maynard Hubbell in charge of the redemptions and conversions for the Department of Militia. I am of the opinion that Low and Hubbell knew the frauds were being committed and that there was collusion between them and Hill in respect of them- also that Hubbell was so acting with the full knowledge, if not under the instructions, of Low, who was his superior. I find that Mr. R.P. Brown, Chief Accountant of the Militia Department, and his assistant, Norman C. Allen, had no connection with or knowledge of the frauds, but I am of the opinion that they neglected to properly supervise and inspect the work carried on by Low and Hubbell, in which view a measure of responsibility must attach to them.

Robinson in his evidence before the Commission swore that when he was first approached by Hill, he telephoned to Low and informed him that a returned soldier, named Hill, had made enquiries regarding the exchanging of British money at par and that Hill had a sum of such money to exchange. He stated that in reply Low told him to send the money over and he would arrange the matter. When Robinson went to Low's office he was told to see Hubbell, and upon doing so informed Hubbell that the money did not belong to him, Robinson, but to Traffic Officer Hill of the City Police Force. Hubbell then took the money from him, amounting to £485, without further enquiry, and Robinson was not asked to make a declaration that the £485 was his own money or that it was pay and allowances. On the following day, when he received a cheque (payable to himself) for the currency Robinson says he told Hubbell it was not his money but belonged to Hill, and that Hubbell replied "that is alright". He says he asked Hubbell if it would be alright to cash further currency and Hubbell's reply was that he would take either Hill's money or that of any one else who wanted to send it over. Robinson subsequently put through other transactions using in one case fictitious names which he and Hill took off a nominal roll in his office. On another occasion he says he telephoned

Hubbell that he had £700 of Hill's money, when he says Hubbell told him to split it up in the names of two or three people as he did not want it to appear as though some person had bought the money on the open market as a matter of business. Robinson further stated that after his arrest he overheard a conversation between Hubbell and Hill to the effect that they would be unable to put through a transaction which they had evidently previously arranged.

While I would not be prepared to accept the evidence of Robinson if it stood alone, I do accept it as I find that his evidence has been corroborated. Also there would not appear to be any reason why Robinson should commit perjury as he had been tried and acquitted of all the charges which had been made against him. There was no suggestion that he had any animus against Low or Hubbell and apart from his connection with the fraudulent transactions mentioned, his record had been good.

At the time that the redemption of currency was taken over by the Militia Department Mr. Brown drew the declaration which has been set out hereinbefore, and his evidence is that he gave instructions that in all cases soldiers applying for the redemption of British currency should make such a declaration. Both Low and Hubbell deny that such instructions were given to them. I cannot see any good reason why the Banks should have been required to obtain such declarations and the same regulation not apply to redemptions made direct by the Department. I, therefore, accept Mr. Brown's evidence. In the 43 transactions with which Hill was connected declarations were signed by the men presenting the British currency for exchange in 5 cases only, and in none of such cases was the applicant required to take his oath that the money presented was his own or that it represented pay and allowances only. Further, neither Low nor Hubbell gave any intimation to Mr. Brown that they were not insisting upon the declarations being made, but he apparently rested under the impression that his instructions were being carried out.

In my opinion the failure of Low and Hubbell to carry out the instructions of Mr. Brown and to take the declarations was for the purpose of facilitating commission of the frauds.

Low and Hubbell took charge of the redemption of British notes

and currency in January, 1920, following which date the amount of currency redeemed direct by individuals who brought the same to the Department for exchange was as follows:

January,	1920	\$ 562.65
February	1920	1,432.69
March	"	2,260.03
April	"	3,671.77
May	"	1,210.88
June	"	875.97
July	"	339.92
August	"	2,858.84
September	"	7,318.77
October	"	10,368.18
November	"	20,172.21
December	"	19,619.56
January	1921	21,387.51
February	"	13,926.73
March	"	24,814.07
April	"	11,957.37
May	"	749.46

The amounts cashed prior to September, 1920, were probably legitimate, but in the month of September, 1920, the redemptions increased to \$7,318.77 owing to the activities of Domoney. In October, 1920, when Hill became active, they rose to \$10,368.18 and thereafter continued to increase until March, 1921, when they reached a maximum of \$24,814.07. After \$8,195.45 had been exchanged by Robinson in April 1921, Hill and Robinson were arrested. In May 1921, the total amount of moneys exchanged was only \$749.46.

Both Low and Hubbell must have known when they took charge of the redemptions in January 1920, that a decrease was to be expected in the amount of British currency proper to be exchanged. With the abnormal increases in the amount of the redemptions, therefore, and the fact that they made no mention or comment upon the same to Mr. Brown, I find it impossible to believe that such increases took place without their knowledge of the fraudulent conversions of Hill and Domoney.

I regard as significant the evidence of Herbert Lyons who took £268 to the Department for exchange for Hill. Hubbell apparently referred the matter of the exchange to Low and after doing so told Lyons that the amount was a trifle too much and suggest^{ed} that it be reduced to £203, which was done. I cannot see why such a suggestion should have been made if Low and Hubbell were acting honestly in the matter.

There is also the evidence given by Gordon J. Munroe who converted

£304 in Hill's name on March 10th, 1921, at a time when Hill had already exchanged two sums in his own name, aggregating £800. Munroe's evidence is that; "Hill came down to the office one day and said "I am picking you out as a fellow I can trust"; I said 'Yes'; He said 'I have known you a long while, I want you to cash some money'; I said 'What money is this'; He said 'My mother died in England and the will is drawn up, I am getting money sent over in large amounts and if I took this to the Bank I will lose about \$100., would you mind going up to the Department of Militia and Defence and get it cashed? I said 'Will it be alright?' and he said 'I have been up there before and there was no trouble whatever; you go up there and see Mr. Low and Mr. Hubbell and just tell them Mr. Hill sent you up and everything will be alright, and call back next day for the money'. 'I do not remember what sum it was but it amounted to \$1,400. odd. I brought the money to the office here and met Mr. Low, and he said "Who sent you with this money?" and I said 'Tiny Hill'; He said 'Yes, I know him, see Mr. Hubbell there and he will fix you up.' I took the money to Hubbell, who counted it and gave me a receipt. He told me to call back at two o'clock and he would have a cheque for me. I called back at two o'clock, got the cheque, gave back a receipt, got Hill to endorse the cheque and got it cashed and gave him the money.

Q. Was that all that happened? A. That is all that happened.

Q. Did Hubbell or Low ask whether this was pay and allowances?

A. No, Sir, they didn't.

Q. Did you sign any declaration? A. I didn't.

Q. They knew it was for Hill? A. They knew it was for Hill.

Q. And said that was all right? A. All right.

Q. No further questions asked? A. None whatever.

Q. Is that all you know about this? A. That is all I know.

Q. Do you know of anybody else doing this? A. About thirty-five.

Q. Men who would give similar evidence to yours? A. Yes, that is all I know about it.

Q. You don't know about anyone else engaging in this business?

A. No.

There are indications that Low was apprised of the Domoney transactions also, for Mr. Cook, a bookkeeper in the Department, on one occasion pointed out to him that several transactions were being put through in Domoney's name. When the matter was referred by Cook to Low he was informed that it was none of his business.

Hubbell also admitted in giving evidence at Hill's trial that he had met Hill often on the street and when asked if he had told Hill that the Government did not lose anything by reason of the exchanges, he would not swear whether he did or did not but admitted that he might have told Hill so.

In practically all the exchanges of British currency made by Hill and his confederates no questions appear to have been asked by either Low or Hubbell as to whether the money belonged to the applicant or represented pay and allowances only. In no case either, so far as could be ascertained, was a soldier's file drawn and his ledger account examined in order to determine whether he might reasonably be expected to be in possession of the amount presented for exchange.

As further evidence of the careless and inefficient manner in which the redemptions and conversions were dealt with by Low and Hubbell is the fact that although Mr. Brown gave instructions to Low that the accounts should be balanced monthly, it was done for a period of two months only, after which such accounts were allowed to remain unbalanced with the result that the discrepancies hereinafter referred to arose in respect of them. In addition no proper record was kept of drafts and cheques returned to the Department for proper endorsement or other correction, but the same were handled in a loose and careless manner.

In his evidence Mr. Brown stated that he had given explicit instructions to Low and Hubbell that all British money exchanged and received by the Department should be taken over at the end of each day and lodged in the custody of the Finance Department. These instructions were disregarded by Low and Hubbell who allowed cash to accumulate between October 2nd, 1920 and November 23rd, 1920, until it amounted to over \$50,000. In another instance and in the period between August 7th, 1920

and October 2nd, 1920, moneys were allowed to accumulate for the period of nine weeks before they were delivered to the Finance Department. No satisfactory explanation for their disregard of the instructions given to them was made by either Low or Hubbell. It was quite possible that the currency allowed to accumulate could have been employed to facilitate Hill's transactions.

With respect to Mr. R.P. Brown, Chief Accountant of the Department of Militia and Defence, and Mr. Norman C. Allen, his assistant, I find that they neglected to properly supervise and inspect the work being carried on by Low and Hubbell. At the time when supervision of the conversions of official cheques and drafts was transferred from the Finance Department to the Militia Department Mr. Boville would appear to have warned Mr. Brown that frauds would probably be attempted. With knowledge of this possibility and having regard to the large amounts involved in the conversion of cheques and the redemption of currency by the Department, it seems incomprehensible that both Mr. Brown and Mr. Allen should, during a period covering twenty-two months, have taken practically no personal interest in the administration of the work by Low and Hubbell, or made any efforts to see that the regulations laid down were being carried out. They both admitted that a mere casual inspection at any time would have disclosed the inefficient manner in which the work was being carried out, when steps could have been taken to prevent a continuance of the frauds.

The suggestion was put forward that Mr. Brown is entitled to be relieved of a certain measure of responsibility for what took place by reason of the fact that he delegated the duty of supervision and inspection of the conversions and redemptions to Mr. Allen, his assistant. With the importance of the matter, the large amounts of money involved and the warnings given by Mr. Boville I do not see how such delegation can be accepted as an adequate excuse but it is, in my opinion, to be regretted that after formulating regulations for the protection of his Department, Mr. Brown (who is an official of long standing) did not take steps to assure himself personally that they were being carried out.

On June 23rd, 1921, Mr. Samuel Betty, of the Department of the Auditor General, made an audit, at the request of the Deputy Minister of Militia, of the accounts covering the redemptions of British currency and the conversions of sterling cheques and drafts by the Department. He reported that on the whole the accounts were in a very unsatisfactory state due to the following causes, which are dealt with in detail in his report, namely:

- (1) No adequate system of bookkeeping was adopted,
- (2) The filing of important documents was neglected
- (3) No attempt was made to check the payments against the credits.
- (4) Charge backs were loosely handled and no record of them kept.
- (5) Great responsibility was thrown on one section of the office without establishing any check on its operations.

At the same time Mr. Betty found a balance to be accounted for of \$14,169.51. I concur in Mr. Betty's remarks but am pleased to be able to report that the \$14,169.51 has been recovered, the Accountants who examined the various files in the Department in connection with their investigations having discovered sufficient drafts and cheques, which had been carelessly misplaced in such files, to make up the deficit.

It is my opinion, as a result of the investigation made, that certain frauds - later herein referred to - which were committed outside the Department, and by conversions through the Banks, could have been largely prevented or minimized if

- (1) The names of all applicants for conversions had been properly entered in an Index book, so as to provide immediate notice of duplications, and

- (2) Soldiers' files had been drawn and the pay sheets examined in respect of conversions or redemptions exceeding £100 in amount.

The fact was that no proper index record was kept neither were soldiers' files drawn except in isolated cases.

In respect of the above observations with regard to the examination of soldiers' files, it should be stated that such files did not begin to arrive in Canada until March 26th, 1919. Different shipments of

such files were sent to Canada between that date and the 30th of January, 1920, when the records at Ottawa were practically complete. In many cases a soldier's file did not reach Canada until three to six months after his arrival here and as a consequence a period of time intervened after the date when the Militia Department took over the conversions and redemptions, when many of the files were not available. In connection with the conversions through the Banks it is apparent that under the above circumstances the Department had to rely altogether on declarations and certificates at the times when the records were not in Canada. Practically all of the files of the men who converted money for Hill and Domoney were, however, in Ottawa and available for inspection at the time of such conversions.

CONVERSIONS THROUGH THE FINANCE DEPARTMENT

As will be seen with perusal of the letters and communications hereinbefore set out and relating thereto, an arrangement was entered into on December 4th, 1918, between Mr. T.C. Boville, the then Deputy Minister of Finance, and the Bank of Montreal, whereunder the latter was authorized to effect the exchange at par of British currency in the hands of soldiers arriving in Canada from overseas. On February 6th, 1919, this arrangement was extended and the Bank of Montreal was further authorized to convert at par funds transferred through its agency in London, England, to a Canadian branch of the Bank, for the credit of a member of the Canadian Expeditionary Forces.

Under the above arrangements the Department of Finance was required to reimburse the Bank of Montreal for all British currency exchanged by it and also pay the differences between market rates and par of exchange upon the funds mentioned which should be transferred through the Bank. Control of the matter in the Department of Finance was under the direct supervision of Mr. Boville.

Mr. Boville frankly admitted that when the arrangements mentioned were entered into few, if any, precautions were taken by the Department to protect itself against the possibility of frauds being attempted. His view of the matter was that the privileges should be encumbered with as few regulations and difficulties as possible and he believed that it would be better for the Government to risk losing a small amount of money rather

than to irritate returned soldiers with red tape. I think that Mr. Boville was quite justified in this policy in earlier periods following the making of the arrangements, particularly when it be considered that the pound sterling did not begin to depreciate to any considerable extent until the middle of March, 1919, and did not fall below \$4.50 in value until July of that year. When British currency commenced to depreciate to greater extents, however, it must have been apparent that an incentive was provided to commit fraud and that precautions would require to be taken if it was to be prevented.

In the early part of June, 1919, an arrangement was entered into between Mr. Boville and Mr. R.P. Brown, of the Department of Militia and Defence, whereunder the conversion of sterling cheques and drafts - cashed by Banks in Canada - was placed under the supervision and charge of the Department of Militia and Defence, the Department of Finance remaining in control of the redemptions of British Currency and transfer of funds through the Bank of Montreal, London, to branches of that Bank in Canada. Supervision of the redemptions and conversions was thus divided between the two Departments which meant that proper control could not be exerted or full protection be obtained without their complete cooperation. Evidence submitted at the Enquiry indicated that such cooperation as did obtain was of but slight extent.

There is evidence that when the arrangement of June, 1919 was made with the Department of Militia and Defence, Mr. Boville warned Mr. Brown that frauds would likely be attempted. Certain regulations were thereupon drawn up by Mr. Brown and approved by Mr. Boville in order to protect the Department of Militia and Defence against such frauds. Notwithstanding this Mr. Boville did not introduce any regulations of a similar character into his own Department but it continued to deal with the redemptions of British currency and transfers of sterling funds in the same manner as had obtained theretofore.

From evidence submitted at the Enquiry it is apparent that considerable confusion and doubt existed as to just what funds in the hands of soldiers were to be redeemed at par through the Department of Finance and whether such funds were to be limited to those representing

pay and allowances or not. Under Mr. Boville's letter of December 4th 1918, authority was given to the Bank of Montreal to exchange British currency in the hands of soldiers arriving in Canada, while in his letter of February 6th, 1919, to Sir Frederick Williams Taylor he approved of the conversion at par of funds transferred through the Bank of Montreal, London, to a Canadian branch of the Bank for the credit of a member of the Canadian Expeditionary Forces. Following an arrangement with Mr. Ross, Secretary of the Canadian Bankers Association, a circular was also sent to the Canadian Banks in June, 1919, authorizing the exchange at par of British currency presented by soldiers returning from overseas, while the form of certificate ordinarily employed by the Banks in remitting such currency to the Finance Department - which certificate was accepted by the Department - was as follows:-

"The Deputy Minister of Finance,
" Ottawa

"

"Dear Sir:

"

" We beg to thank you herewith for redemption British Currency
" amounting to £ which has been exchanged for
" Canadian Currency by branches of this Bank for returned soldiers at
" 4.86-2/3 to the £

"

"

"

"

Yours truly,

Manager.

In none of such communications or the certificate is any reference made to Pay and Allowances. Mr. Boville's statement is, however, that it was understood between himself and the Banks that only such funds as represented pay and allowances should be converted at par. So far as British currency redeemed up to December 1919 is concerned it is clearly evident that the Banks converted it to a large extent - when presented to them by returned soldiers - without any limitations imposed that it should represent pay and allowances only. In view of this it is difficult to believe that there was any clear understanding, of the kind mentioned, between the Banks and Mr. Boville. In any event is it unfortunate that such an important matter should have been arranged verbally when an Order in Council could have been obtained by Mr. Boville, and proper regulations put in force when confusion would have been avoided.

The total amount of British currency exchanged through the Banks and the Department of Finance, including that received at ports of disembarkation, was \$7,416,936.61. An effort was made to discover what if any frauds had been committed in connection with such exchange but no satisfactory evidence on the point could be obtained, this by reason of the fact that the redemptions of such currency were effected as cash transactions with no records kept of the names of the individuals presenting the same or the amounts exchanged by each.

In respect of the transfer of funds through the agency of the Bank of Montreal, London, to branches, of the Bank in Canada, Mr. Dudley Oliver, Manager of the Bank of Montreal in London, England, stated as follows: "The first instructions that came to us from our Head Office in a cable from Ottawa was that any of these Officers or non commissioned men who were in uniform, who wanted to bank with us, could have their money exchanged at par. We were told to tell them they could have it exchanged at par". Mr. Oliver further stated that he could not recall having received from anybody written instructions to show what funds the soldiers were entitled to transfer at par, but he said, however, that in certain cases certificates were required from soldiers stating that the money transferred represented pay and allowances only. These certificates were taken in all cases where the application was made in person to the Bank for the transfer. He said that many of the transfers were arranged by letter, in which cases it was impossible to obtain the certificate, and that but few of the transfers were made by way of personal application.

In respect of the transfer of funds through the London, England branch of the Bank of Montreal also, therefore it would appear to be practically certain that there was no explicit understanding between the Department of Finance and the Bank that funds transferred for soldiers were to be limited to pay and allowances. Where certificates were taken from soldiers they would, in addition, appear to have been taken on the initiative of the Bank due to knowledge on its part that moneys remitted through the Paymaster General's Department overseas were intended to be restricted to pay and allowances. All but a limited number of the transfers so made were found to be proper and legitimate but there are a few, herein later

mentioned, which did not represent pay and allowances, and approximately 81 others in respect of which further investigation will require to be made. In dealing with the transfers the Department of Finance made no effort to obtain lists of the same from time to time but contented itself with making payment to the Bank of Montreal periodically of the differences in exchange upon receipt of statements from the Bank covering the amount of the same.

Under the above circumstances I am compelled to find that when the pound sterling became so depreciated that to his knowledge frauds were likely to be attempted Mr. Boville did not take the steps necessary to afford protection against fraud. The arrangements entered into with the Banks were also not sufficiently definite to insure that moneys representing pay and allowances only were to be converted at par. He should undoubtedly have introduced into his own Department regulations similar to those prepared by Mr. Brown of which he approved. It is my opinion, however, that all instructions issued by Mr. Boville were, to the extent of the duties assigned to them fully carried out by the other Officials of the Department of Finance.

CONVERSIONS THROUGH THE OVERSEAS BRANCH OF THE PAYMASTER GENERAL'S DEPARTMENT:

Commencing as early as March 1916, a practice had been adopted of permitting members of the Canadian Expeditionary Forces overseas to remit funds to Canada through the office of the Paymaster General in London, England and the Receiver General in Canada, and this practice continued to greater or less extents until October, 1919. The communications which passed in respect of the matter were the following:

Under date of November 25th, 1915, General Ross, Chief Paymaster Overseas, addressed a letter to the Accountant and Paymaster General in Ottawa, which was as follows:

"P.L. 79-6

" CPM. 251115.

"

25th November, 1915.

" The Accountant & Paymaster General,
" Department of Militia & Defence,
" Ottawa,

"

" "Remittances - Officers."

" Sir,-

" I would be glad if you would kindly inform me if the Department of Militia and Defence are prepared to issue cheques for remittance at the par of exchange; for example, an officer has his pay and allowances

" paid into the Bank in England and sends a request to have \$500.00
" transferred in the form of a remittance to an individual or firm in
" Canada. This necessitates charging a certain amount to his pay and
" the balance is obtained from negotiating his personal cheque to his
" bank account. There is nothing to prevent an Officer from trans-
" ferring money that is really not derived from his pay and allowances, a
" and before making any definite ruling on this matter I would be glad
" of your instructions:

" I have the honour to be,

" Sir,

" Your obedient servant,

" (sgd) J.G. Ross,

" Lieut. Col.

" Chief Paymaster

" The following letters were written in reply thereto -

" one by J.W. Borden, Accountant and Paymaster General, and the other by
" Col. Ward of the same Department.

" DEPARTMENT OF MILITIA AND DEFENCE

" Ottawa, 15th December, 1915.

" The Chief Paymaster,

" Canadian Expeditionary Force,

" Westminster House, 7 Millbank,

" London S.W. England

" REMITTANCES

" I am in receipt of yours of the 25th ult., respecting remitt-
" ances and in reply am to say that there are two ways money can be
" remitted without costing the Officer anything:-

" (a) By means of assigned pay.

" (b) By placing the amount he wishes to remit to the
" credit of the Receiver General in the Bank of
" Montreal, London, and advising us. We can then
" issue a cheque here at par against this deposit.

" I may state, however, that this latter method is not to be
" encouraged as it necessitates a number of entries in our books, and,
" also, in the accounts of the Receiver General of Canada.

" (Sgd) J.W. Borden,

" A. & P.M.G.

" P.L. 79-6

" H.Q. 161-15-2

" DEPARTMENT OF MILITIA AND DEFENCE

" Ottawa, January 4th, 1916

" The Chief Paymaster,

" Canadian Expeditionary Force,

" London, England.

" Remittances to Canada

" With reference to my letter of the 15th ultimo in reply to
" your P.L. 32-5 CPM 251115 of November 25th, also my H.Q. 124-3-94 of
" November 27th, and your P.L. 3-15-33, Adv. 141215 of the 14th ultimo.

" The question of remittances by Officers, N.C.O's and men
" of the Overseas Force to Canada has been under further consideration,
" and the following procedure is to be carried out in future:-

" 1. Warrant Officers, N.C.O's and men desiring to remit money
" to Canada, can have the amount charged against their account in the
" pay list, and the advice of the remittance then forwarded to this
" Department with notation on the remittance sheet as to where the charge
" has been made. This advice of remittance will then be passed to the

" Assigned Pay Branch of the Department with instructions to issue a
" cheque for the amount and send direct to the assignee.

" 2. Officers - As all Pay & Allowances are paid by you to the
" bank accounts etc. of the respective Officers, it will be necessary
" for the Officer desiring to remit money to Canada to transmit a
" cheque to you for the amount in question. After having had this cheque
" accepted at the Bank, you should pay the amount into the Bank of Mont-
" real to the credit of the Receiver General in Canada, transmitting at
" the same time an advice to this Department giving full particulars and
" date amount was deposited to the credit of the Receiver General and
" forwarded. On receipt of this advice a cheque will be issued by this
" Department to the assignee for the par value of the deposit.

" 3. Amounts desired to be remitted by Regimental Funds, etc.
" such as an account payable to R.J. Inglis of Montreal can be dealt with
" in the same manner as Officers' remittance under "A" above.

" 4. As an alternative arrangement to "2" which would at the same
" time simplify accounts, there is no objection whatever to the Officers'
" remittances being dealt with in the same way as N.C.O.'s and men under
" "1" provided of course the application reaches you in time to charge the
" amount against the Officer's Pay and Allowances before the amount due
" is deposited to his credit in the Bank. This is a better arrangement,
" if it can be followed, as it avoids the entry in books in your office
" and also here in connection with the accounts for the Receiver General
" of Canada, and payment would then be made by Assigned Pay Branch here
" the same as remittances from N.C.O.'s.

(Sgd) W.R. Ward
Colonel,
A. & P.M.G.

It will be noted that in his communication General Ross very
clearly raised the question as to whether moneys belonging to Soldiers
other than Pay and Allowances, could be remitted at par through his Depart-
ment, and that both Mr. Borden and Col. Ward, in their replies did not give
a direct answer to the question.

With the exception of the above communications no regulations
or instructions appear to have been issued from Canada or given in respect
of the matter by the Overseas Ministry. The practices followed in conn-
ection with such remittance were therefore those which were arranged by
Officers of the Department in England.

On May 1st, 1919, a Minute was issued by General Ross addressed
to W.R. Mackersy, Officer i/c Accounting Branch, which was as follows:-

"P.S.P. (A-5)

1st May, 1919.

" To:- Officer i/c Accounting Branch

" In regard to List of Remittances to Receiver General, I notice
" that some rather large amounts are going through, such as-

"	April 15th	R	98	£750.0.0.	April 19th	R	115	£923.0.0
"	" 15th	R	102	£420.0.0.	" 22nd	R	127	£310.0.0
"	" 17th	R	111	£400.0.0.	" 23rd	R	134	£412.0.0

" I presume that in every case where the amount is large you take
" a statement from the Officer that it is Pay and Allowances alone being

remitted in this manner.

"
" (Sgd) J.G. Ross,
" Brig. General, Paymaster General.
"

OMFC

This Minute indicates that General Ross was of the opinion that Pay and Allowances only could be remitted at par. Mr. Mackersy replied to the Minute in the following terms:

" In reply please
" quote Minute No. 6428 2nd May, 1919

" To:- Paymaster General, O.M.F.C.

" Remittances to Canada

" Receiver General

" With reference to your minute of the 1st inst., it has been the practice for this office to obtain a verbal statement from the Officers desiring to remit money to Canada, to the effect that same represents only pay and allowances.

" In accordance with the instructions of the Deputy Paymaster General no remittances have been accepted from Officers for amounts over £1,000.0.0

" In future, however, where Officers are desirous of remitting amounts of over \$2,000.00, a written statement to the effect that the amount remitted represents earned pay and allowances only will be obtained in each instance.

" Might I suggest, please, that a circular letter to this effect be despatched to Regimental Paymasters, in order that the necessity of holding such remittances for the necessary certificate may be obviated.

" (Sgd.) W.R. Mackersy, Lieut. for Officer
I/c Accounting Branch

a notation to the following effect being endorsed thereupon by

Col. Regan, Deputy Paymaster General.

" To:-
" Officer i/c Accounting Branch 3 May 1919
"

" Remittances to Canada

" Receiver General

" Reference attached, paragraph 3 - approved. The Paymaster General does not consider it necessary to despatch a circular letter in this connection.

(Sgd) J.L. Regan, Colonel
Deputy Paymaster General

Evidence given indicates that the circular was not issued as it was deemed undesirable to encourage remittances through the Paymaster General's Department.

It was stated in evidence given by Col. Regan, Deputy Paymaster General, that a practice had been permitted in the Department whereby Soldiers could remit to Canada at par four-fifths of their total pay

earned overseas irrespective of the fact that such pay had been drawn and possibly spent overseas. He claimed that this practice was justified by a Militia Order No. 372 dated 17th August, 1914, which is as follows:

" Officers, non-commissioned officers and men will be
" permitted to assign a portion of their pay, not exceeding four-
" fifths of the monthly amount, to their relatives. The amount
" assigned must be in dollars only (no cents) and the maximum amount
" which may be assigned by a private soldier will be \$25.00.
" Militia Form D 902 will be supplied to the commanding officer
" of each unit on arrival at Valcartier by the Camp Paymaster.
" On these forms officers commanding squadrons, batteries, companies
" will enter the nominal rolls/all officers, non-commissioned
" officers and men in their units, stating in each case the name
" and address of the next-of-kin, and, in addition, in the case
" of those desiring to assign a portion of their pay, each indiv-
" idual is to sign the form, giving the name and full postal
" address of the person to whom the assignment is made, with the
" monthly amount assigned. When these forms are completed and
" certified by the commanding officer they are to be returned to
" the Camp Paymaster in triplicate. One copy will be retained
" by the Camp Paymaster, and that officer will forward the dup-
" licate copy to the Accountant and Paymaster General, Militia
" Headquarters, and the triplicate copy to the Camp Commandant.
" Arrangements will be made at Militia Headquarters for the payment
" of assigned pay at the beginning of each month direct to the
" person to whom the assignment has been made.

" perusal of this Order shows that it does not refer to remittances
at par but only to assignments of pay.

The transfer of funds through the Department did not demand that any particular safeguards should be imposed until about the middle of March, 1919, when substantial depreciation in the value of the pound sterling took place. When such reduction in value did occur, precautions were taken by the Department to guard against the remitting of funds which did not actually represent pay and allowances. Evidence before the Enquiry indicated, however, that they were not sufficient to protect the Government in all cases. I do not think the Department was justified in assuming that the Military order above mentioned applied to these remittances and in my opinion General Ross had no knowledge of such practice.

The total of the funds remitted through the Department between April 1st, 1919 and September 30th 1919 when the practice was stopped, amounted to \$ 630,783.39. Included in the remittances were several, hereinafter mentioned, which evidence indicates represented other than pay and allowances; while 22 other remittances, in respect of which adequate evidence could not be obtained at the time of the enquiry - and of which lists are furnished - remain for further investigation.

CONVERSIONS BY INDIVIDUALS

In addition to the enquiries instituted by the Commission into the administration by the Departments, investigations were also undertaken for the purpose of determining what, if any, frauds or irregularities were committed by individuals. In the conduct of such investigations the Accountants employed by the Commission made a list of all conversions of the amount of £100 or over, the number of persons who converted sums equal to or in excess of such amount having been upwards of 5,300. In such cases the departmental files relating to each individual were drawn and an examination made of the ledger accounts for the purpose of determining whether the amount converted seemed reasonable as compared with the amount of pay and allowances earned or the circumstances appeared to warrant special enquiry. It was obvious that the expense involved did not warrant an attempt on the part of the Commission to establish the extent of the frauds in any other than a general way. The number of cases set aside for special enquiry was 1,384 and in respect of 645 of them the individuals who made the conversions resided at points too far distant from where the sittings of the Commission were held to warrant bringing them before the Commission. The remaining 739

conversions were effected by individuals who resided in the vicinities of Ottawa, Montreal, Toronto, Vancouver and Victoria and in London, England. The exact whereabouts of a limited number of such persons could not be ascertained; the majority were able, however, to give satisfactory explanations when interviewed, but it was found necessary to bring 159 witnesses before the Commission for examination, and of such witnesses 56 admitted having converted funds in excess of their savings from pay and allowances. In the making of these enquiries Commissioner Perry of the Dominion Police placed his organization at the service of the Commission and in such connection I desire to express my appreciation of the efficient services rendered by Sgt. Frederick Syms and Acting Detective Paul Miller. Certain investigations were also conducted in England by Captain J. F. Waddington, while also a number of individuals residing there were interviewed by Officers of the Dominion Police.

As previously stated the details of the conversions of British currency through Banks and the Department of Finance in the year 1919 were not available and accordingly could not be investigated - this by reason of the fact that redemptions of British currency were looked upon as cash transactions, with no record kept of the names of the persons effecting the exchanges or of the amount exchanged by each. Details of the transfers of funds through the Bank of Montreal, London, England, to branches of the Bank in Canada in the period between February 1919 and September 1919, were not received from England until after the sittings of the Commission were concluded. With receipt of the

list, however, investigation was made by the Accountants, employed by the Commission, of all transfers shown upon it and a statement later herein mentioned, is attached of those in respect of which I am of the opinion that enquiry should be made.

It became apparent that a large number of remittances which appeared on their face to be excessive or improper were in reality perfectly bona fide, and this by reason of the following conditions:

It was shown to be the custom on the part of many Soldiers to assign a proportion of their pay to friends and relatives residing overseas in order that the same might be saved by such friends and relatives for them. With the men themselves in France their expenditures would at the same time be limited. Upon termination of their services their pay records would, under such conditions, show a substantial proportion of their pay and allowances already paid to them overseas leaving but little money apparently available to them at the time of their return. As against this, the fact was that a large part of their pay and allowances had been saved and was available to them for conversion at par.

In many cases the wives of soldiers were overseas during the war, when they supported themselves by working, principally in munition factories. As a consequence pay assigned by a husband and the separation allowances to his wife were not spent but saved. — In these cases the amounts converted by many men equalled and in some instances exceeded the portion of their pay and allowances which was drawn by them while overseas.

In other cases Soldiers had private means which they transferred or received overseas and the funds arising therefrom were deposited with their pay and allowances in a common Bank account. With the funds so intermingled it was impossible at the time of their return to apportion balances remaining between private funds and pay and allowances. Invariably the men took the position that all moneys expended out of such common Bank Account represented private funds and maintained that balances on hand were savings of pay and allowances which they were entitled to exchange at par. As a result many remittances appeared to be excessive when compared with the total of pay and allowances earned and the amounts accepted in respect

thereof overseas. In my opinion it is very questionable if objection can be raised to transfers of such a character or if indeed, it is desirable to do so.

The enquiries made showed that but few frauds or irregularities were effected in conversions by members of combatant units but I regret to state that a number of instances were disclosed where the privileges granted by the Government were abused and then principally by men connected with the Canadian Army Pay Corps in England and certain other administrative units.

I attach to this report (as schedule 1) a list of the individuals who were brought before the Commission and who admitted or against whom it was proven, that they had converted funds in excess of their savings from pay and allowances. I also attach (as schedule 2) a list of the persons who admitted in evidence at the "Hill" trial in June 1921 that they had converted funds for the benefit of Sergeant Arthur E. Hill. These witnesses were not re-examined by the Commission. Of those whose names appear on schedule 1. the following require to be mentioned as having abused the privileges granted by the Government to important extents:

(1) Sergeant A. E. Hill, previously mentioned herein, converted at par in his own name three amounts aggregating £904, including an amount of £304 sent by him to the Department of Militia & Defence with Gordon J. Munroe and for this sterling currency Hill received \$4,399.44. According to the evidence of forty-one other individuals, including Captain E.A. Robinson, they converted a further £13,709 for Hill, who received in respect of the same \$67,009.49. The difference between the market rates and the par rate of exchange on the whole of these conversions amounted to \$8,354.97 and Sergeant Hill accordingly profited to this extent. If this amount cannot be recovered from Hill it should be possible to collect a substantial portion of it from the individuals who, knowingly, assisted him in making such improper conversions. As shown in the evidence a number of such persons received compensation from Hill for effecting the conversions for him while certain others signed false certificates to the effect that the funds were their own pay and allowances. Some of the men who, wittingly or unwittingly, assisted Hill in the conversions are at present engaged in the Civil Service at Ottawa.

(2) Sergeant W. G. Domoney was not available to appear before the Commission at its sittings in Ottawa, but according to evidence given when he was on trial for fraud he converted amounts in excess of the value of \$10,000.00. Sergeant W. D. Busk and Sergeant W. Ardern stated in evidence that they converted for him £295 and £214 respectively. Sergeant Ardern received \$10.00 from Domoney as compensation for effecting the conversion of £214 - in view of which I am of the opinion that the loss of \$81.32 sustained by the Government in respect of the conversion, should be made good by him. Sergeant Busk in his evidence stated that he did not receive any compensation from Domoney but he admits having converted other funds to the amount of £295 for Sergeant A. E. Hill. In these circumstances I am of the view that he should be required to make good the loss of \$306.80 on the Domoney transaction and \$86.30 on the Hill transaction. Both Busk and Ardern are at present employed in the Civil Service at Ottawa.

(3) Captain Clifford E. Field, who was Assistant Paymaster at Buxton, England, converted in his own name £2,150. of which £888. - as I find - did not represent pay and allowances. He also converted sums which he admits amounted to £1,050 through four other persons, including Sergeant A. E. Medhurst of Brantford, who gave evidence before the Commission. He admitted that a further sum of about £700 or £800 was brought out from England for him by Sergeant C. T. Bland, who could not be located but was said to have absconded with the funds. According to the records the actual conversion made by Bland was £930. Captain Field maintained that these latter funds were transferred in connection with a lumber deal and not for the purpose of taking advantage of the difference in exchange, but I am reluctant to give full credit to this statement. Of the total amount of £3,200 converted for the benefit of Captain Field - by himself and the four other persons above mentioned - he admits that £1,938 did not represent pay and allowances, and on this latter amount he obtained profits to which he was not entitled to the extent of \$1,750.80. To this should be added profits of \$1,019.20 obtained in respect of the £980 shown on the records to have been converted by Bland, making a total of \$2,770.00. Captain Field and those who assisted him should be required to refund such amount.

(4) Sergeant Major Sidney Richards, a member of the Canadian Army Pay Corps in England, admitted converting £1,000 in his own name; also that further sums belonging to him and amounting to £1,000. were converted for him by three other persons, namely: Cpl. Mason, Pte. Jourdon and Sgt. Lamberton. Evidence submitted indicated that the conversion of the whole £2,000 was unauthorized and improper. The profits obtained therefrom were \$1,525. and Richards should be required to refund such amount. It was admitted by him that certain funds transferred to Canada, and for which he received the par of exchange there, were returned to England, converted at market rates and again transferred to Canada and redeemed a second time at par.

(5) According to the records Staff Sergeant John Wilson formerly of Ottawa converted in his own name £499 and received therefor Canadian funds at par to the amount of \$2,428.13. As Wilson's whereabouts were unknown, it was impossible to bring him before the Commission. Two witnesses, however, Sergeant Samuel Brown of the Civil Service Ottawa and Sergeant Roy Bailey of Montreal, admitted making conversions for the benefit of Wilson to the extent of £256 and £304 respectively. The profit realized on the latter two conversions was \$234.24.

(6) Lt.-Col. Paul R. Hanson, of Montreal, who was the Officer Commanding the Canadian Discharge Depot at Buxton, England, admitted converting sterling between May and October, 1919, either in his own name or through at least four other individuals to the extent of not less than £4,860. He named General J.M. Carson, Brigadier General F. S. Meighen, Capt. R.H. Jamieson and one F. A. Johnson as the persons who assisted him in the conversion of upwards of £2725 thereof and stated that they had acted in the connection in entire innocence and good faith. Col. Hanson endeavored to justify these transactions with the statement that in 1918 he had a large private income, the moneys arising from which he had transferred to England, where they were intermingled with his pay and allowances. Upon examination of his bank account subsequently obtained from London, England, by Col. Hanson, at the request of the Commission, it was found that of the above mentioned private income and pay and allowances £60-1-7 only remained on deposit on April 30th, 1919; also that between May 1st, 1919 and December 9th, 1919, sums to the

amount of £8763-15-10 had been deposited by Col. Hanson in his bank Account in London, England. Of such deposits of £8763-15-10, £542-1-0 only represented pay and allowances, while of the balance £1000 would appear to have been received from California and at least £2251 transferred from Montreal. Based upon an analysis of the account there is reasonable ground, in my opinion, for believing that a substantial portion of the balance of the deposits, £4970-14-10, consisted of moneys transferred between England and Canada for the purpose of permitting advantage to be taken of the differences between market rates and par of exchange.

Of the known conversions of £4860-19-2 made by Col. Hanson or by others for his benefit, £1360-19-2 represented transfers through the Overseas office of the Paymaster General's Department, while in respect of £3500 Col. Hanson obtained the benefit of par of exchange by payments made to him through the Department of Militia and Defence in Ottawa. Col. Hanson also admitted in his evidence that it was quite possible that other amounts in excess of the £4860-19-2 might have been converted for his benefit by other persons. Having regard to the substantial amounts deposited in and withdrawn from his bank account in London, England, in August, September and October 1919, this would seem to be entirely probable.

According to the Militia records and the correspondence and copy of his bank account furnished by Col. Hanson to the Commission there are indications that certain funds transferred to Canada, for which Hanson received the par of exchange, were returned to England and again transferred to Canada and converted the second time at par. In June, 1919 Hanson had £410. 19-2 sent to Canada through the Overseas branch of the Paymaster General's Department, and the par equivalent of these funds was, according to a letter dated June 18th, 1919, from the Royal Bank, St. Labert, Montreal, placed to his credit in that Bank. Subsequently substantial amounts were transferred from the Royal Bank, St. Lambert, Montreal, to the Royal Bank, London, England, including a transfer of £799-3-2 on September 3rd, 1919, and £1152-1-3 on September 19th, 1919.

As a copy of Col. Hanson's bank account was not received from London England until after the final sitting of the Commission, and as it was inexpedient to unduly prolong the Enquiry it was not found possible to investigate the Hanson transactions to the extents that otherwise would have been desirable. I, therefore, recommend that these investigations be continued by Officers of the Government until a full and complete explanation of all transactions has been obtained. In the meantime, however, I am of the opinion that on the conversions known to have been effected by or for the benefit of Col. Hanson profits to the extent of \$2522.50 were obtained by him in an unauthorized manner.

(7) I desire to direct your attention to the case of Sergeant G. W. Pease of Harrop, B.C. who appeared before the Commission in Vancouver. This man stated that when he went Overseas in 1914 he took with him \$11,000. equivalent to about £2260. The total amount of pay and allowances earned by Pease during his period of service was \$4,034.25 according to the Pay Records. He claims to have saved thereout between \$3,500 and \$3,600 by the use, in part, for living expenses, of the moneys he took overseas. Upon the return of Pease to Canada in July 1919 he communicated with the Department of Soldiers Civil Re-establishment in order to ascertain whether he had the right to convert at par the moneys taken overseas. He was informed that the privilege extended to pay and allowances only. Notwithstanding this he effected five separate transactions through Banks in Quebec, Que., Toronto, Ont. and Nelson, B.C., when he converted sums to the aggregate of £3026, for which he received par value of \$14,726.51. These conversions exceeded his savings from pay and allowances by about \$11,200.00. In three of the five cases he signed certificates that the moneys converted represented pay and allowances only and he obtained approximately \$1,550.00 in excess of the amounts which he could have recovered had conversions at par been effected to the extent only that the regulations permitted.

The conversions were effected by Pease with the knowledge on his part that he was deliberately abusing the privileges granted by the Government,

and at the same time the certificates he gave were untrue in substance and fact as he well understood. Undoubtedly it was a severe hardship on Pease, after his long period of service, to find himself unable to transfer funds taken overseas except at a cost of upwards of 14% thereof to himself, but it was no part of the duties of the Commission, to consider or deal with such a matter. It is referred to in mitigation of the course pursued by Pease which otherwise would seem incomprehensible.

(8) Colonel J.L.Regan, formerly Deputy Paymaster General Overseas, transferred to Canada through his own Department and through the Bank of Montreal, in all £1807/8/0, for which he received Canadian funds at par \$8,796. Colonel Regan admitted that these funds did not represent savings from pay and allowances but that he has transferred them at par in order to secure differences in exchange, which he contended he could have obtained had he assigned four-fifths of his pay to Canada - as was permissible under the regulations - and thereafter retransferred the funds representing the same back to England to be used for the purpose of paying his expenses there.

To regain the profit which he claimed to have thus lost, Colonel Regan converted the £1807 mentioned but in so doing he acted contrary to the regulations which limited the funds to be converted to pay and allowances. The profit made by Colonel Regan on the transactions was \$809.14.

I am of the opinion that these conversions by Colonel Regan resulted from a misconception or misinterpretation of the regulations governing such transfers and that he was not guilty of deliberate or intentional wrongdoing. Colonel Regan should, however, be required to repay to the Government the above mentioned sum of \$809.14, and this I understand he is willing to do.

(9) Lt.-Col.S.R.Heakes of Quebec, admitted in evidence that none of the £1708-17-6 transferred by him through the Overseas Branch of the Paymaster General's Department represented pay and allowances; also that all pay and allowances received by him overseas had been expended overseas. In justification of his actions Col. Heakes said that he understood it was his privilege to transfer funds through the Department at par of exchange for the purpose of discharging his debts in Canada. If it was a fact that

Col. Heakes had such an understanding he nevertheless acted in contravention of the regulation thereby profiting to the extent of \$795.40, or the difference between par and market rates of exchange on the £1708-17-6.

Subsequent to the giving of evidence by Col. Heakes before the Commission, certain details of moneys transferred at par through the Bank of Montreal, London, England, to branches of the Bank in Canada were received when it was ascertained that Col. Heakes had transferred a further £832-3-9 for which he received Canadian funds to the amount of \$4,050. He thus obtained a further profit of \$268.25, making a total realized on his transactions of \$1,063.65.

(10) Lieut John Mackle of the Canadian Pay Office, London, transferred £807 to Canada, for which he received par of exchange or \$3,927.40. Mackle signed a statement to the effect that the funds remitted were his own pay and allowances when, as he admitted in evidence, such was not the case but that where £307 did represent his pay and allowances the remaining £500 had been handed to him for transfer by Lt.Col. A.L. Johnston, of London, England. After conversion, Mackle stated, he remitted the proceeds of the £500 in the form of a bank draft payable to Johnston in England for £550. The loss to the Government in the conversion of the £500 converted by Mackle for Johnston was approximately \$500.

(11) On the strength of a certificate signed by him to the effect that the whole amount represented pay and allowances Captain F.H. Leleu of Toronto converted £1152/11/3 when as a matter of fact and, according to his evidence before the Commission £402/11/3 only was pay and allowances - the remaining £750 being private funds. Captain Leleu stated that in certifying the whole amount converted to be pay and allowances he acted unwittingly. By exchanging the £750 at par he profited to the extent of \$420 which should be refunded to the Government.

(12) Sergeant E.B.H. Willis of Toronto, who was in the Canadian Army Corps, Overseas, converted £500, all of which he admits were private funds

received from his father's estate. He signed certificates to the effect that such amount represented pay and allowances and gave as his reason for so doing that he might have drawn the funds from the estate and used them for living expenses and that by so doing he could have saved his pay and allowances. He admitted in evidence, however, that the whole of his pay and allowances and a small portion of his private funds were expended Overseas. In these circumstances Sergeant Willis should be required to refund to the Government the profit of \$373. made by him on the difference in exchange.

(13) Major E.H.Greenwood, formerly of the Auditor General's Department, Overseas, now residing at Dundas, Ont. converted in all £1300. Of this £700 - as he admitted in evidence - represented pay and allowances while the balance £600 consisted of moneys received from private investments. Major Greenwood admitted that he was in error in signing certificates to the effect that the whole £1300 represented pay and allowances and signified his willingness to refund to the Government the profits of \$558. made on the conversion of such private funds at par.

(14) After his discharge from the Canadian Expeditionary Forces, Private W. J. Dyson of Hamilton made a trip to England and took with him £185. On his return to Canada he brought back this money together with pension funds £35. and converted the total amount, £220, at par. He was not entitled to convert the item of £185. through the Militia Department at par and he accordingly should refund to the Government the profit of \$136.90 which he made by way of the difference of exchange thereon.

(15) Major J. M. Pauline converted £700, of which £400 represented private funds and £300 pay and allowances. In justification of his act in converting the whole £700 through the Militia Department, at par, Major Pauline stated that he might have expended his private funds to cover living expenses and thereby saved the whole of his pay and allowances; at the same time he admitted that his actual savings from the latter were £300. He agreed to refund to the Government the profit of \$232 which he made upon the conversion of the £400.

(16) Private Digby Welland of the 42nd. Battalion, now residing in Vancouver, converted £400 which he admitted was part of the legacy received from his father's estate. He signed a certificate to the fact that such amount was pay and allowances but claimed that he did so unwittingly and that he did not read the certificate. He should refund to the Government the profit made by him of \$204.

(17) Captain Vivian Low, whose present address is Windsor, Ontario, was examined before the Commission at Vancouver, B.C. He converted through the Militia Dept. £1048/17/7 of which, he admitted in evidence, about £637/17/7 represented his savings from pay and allowances while the balance of £411 (\$2,000) consisted of funds transferred to him in England by his wife who was in Canada. This latter amount included certain items of separation allowance and assigned pay which had been paid in Canadian funds. Subsequent to the Vancouver sitting of the Commission and upon receipt from the Department of Finance of the details of transfers made through the Bank of Montreal, London, England, it was found that Captain Low had transferred a further amount of £400 through that Bank. As it is apparent that no portion of the latter amount could represent pay and allowances Captain Low would appear to have made unauthorized conversions to the extent of £811 and to have received profits thereon by way of exchange to the amount of \$365.94.

Attached hereto as schedules 3, 4, 5 & 6 are lists of conversions made by individuals through the Department of Militia and Defence, the Paymaster General's Department Overseas, and the Bank of Montreal, London, England, and in a few instances through two or all of such channels, where substantial amounts were converted, but it was not found possible or convenient to bring the persons making the conversions before the Commission for examination. Some of such individuals resided in places which were too far distant from any point where the Commission's sittings were held to compel their attendance, while others have not up to the present time been located. Certain of the conversions mentioned on the list are placed there also with the receipt of information which was not available to the Commission until after its sittings were closed, when it was felt that it would be inexpedient and unduly expensive to reopen such sittings for the purpose of dealing with them, particularly when it is probable, from the

experience of the Commission that satisfactory explanations will be capable of being given in respect of a number of such conversions. Practically all of the conversions shown on the schedule are out of proportion, however, to the amount of pay and allowances earned, and to that extent enquiry into them is in my opinion warranted. In some instances, also, abuse of the privileges granted by the Government will be found to have been effected. I recommend, therefore, that the schedule be handed Officers of the Government for enquiry into the conversions shown thereon but that it be held confidential until their investigations shall be complete, as in my opinion it would be inequitable to make public the names of any persons interested who may be found able to give satisfactory explanations. Should such enquiry be made, the detailed records compiled by the Accountants engaged by the Commission are available for use. I desire to draw attention to conversions effected by the following whose names are upon such lists:-

(a) Considerable evidence was given as to the activities of Sergt. F. Lecky who was connected with the Canadian Army Pay Corp in London, England. One witness stated that this man had £1000 which he kept in circulation between England and Canada for the purpose of making profits on its conversion. As his whereabouts were unknown it was impossible for the Commission to procure his attendance or obtain evidence to definitely determine facts relative to his operations. It was shown, however, that he and Capt. Field (aforementioned) were involved in one transaction at least.

(b) Major C. L. Hannington who was resident at the time of the enquiry in London, England, made conversions to the value of \$17,349.66 as against total earned pay and allowance of \$6,719.33. The Commission did not have an opportunity of receiving direct evidence or explanation of his transactions from Major Hannington but he was interviewed in London, England by Sergt. Prime of the Dominion Police Force, to whom he made the following statement:

" I have only put through exchange amounting to my total pay and allowances. My interpretation of the Order in Council is that any member of the Canadian Expeditionary Force is entitled to cash at par the total amount of his pay and allowances irrespective of whether or not it was actual accumulated savings. If the Government can show me that my interpretation of the Order in Council is wrong and that I have, consequently, exchanged more sterling at par than I was entitled to, I am willing to make a refund of the amount".

There is no justification in my opinion for the course followed by Major Hannington, and moreover, as will readily be seen, the amounts converted by him were in the aggregate about three times his earned pay and allowance. He should, therefore, be required to refund to the Government the profits which he made upon the transactions.

PENSIONS

Under Order in Council dated November 24th, 1919, authority was given to the Department of Finance for cashing at par cheque, issued by the British Government in payment of pay and allowances, gratuities or pensions for service in the Imperial Forces of those bona fide domiciled in Canada at the outbreak of war who saw service in such Forces; the payments to be made subject to such certificates, declarations and other evidence as might be prescribed by the Minister of Finance. Under a further Order in Council dated July 29th, 1920, continuance of the payments was approved, with authority given to the Department of Militia to make them. This latter Order was amended by Order in Council dated August 21st, 1920, passed to clear up some uncertainties. Under Order in Council of August 5th, 1921, control of the payments was transferred to the Board of Pension Commissioners.

With the arrangement in November, 1919, the Department of Finance took charge of the payment of the difference in exchange upon sums payable to the Imperial Pensioners mentioned. Evidence given before the Commission indicated that payment to such Pensioners was made by way of cheques in Canadian currency for the equivalent at par of the pensions and gratuities which were payable in British currency and that the Department provided the difference between market rates and par of exchange in respect of the same. Beginning in March 1920 payment of such pensions commenced to be made

by way of cheques payable in sterling currency. An arrangement was at the same time entered into between Mr. Boville of the Department of Finance and Mr. Brown, Chief Accountant of the Militia Department, whereby administration of the payments was taken over by the Militia Department. Mr. Brown thereupon made efforts to obtain a list of Imperial Pensioners, entitled to par of exchange, through the Officer in Canada administering such pensions but was unable to do so as no definite list was found to be in existence. A policy was accordingly adopted by Mr. Brown of requiring Pensioners taking advantage of the privilege to make declarations proving their pre war domicile, but this policy had to be abandoned owing to the representations of the Pensioners who objected to the trouble and expense to which they were put by reason of it. In an endeavour to exercise control over the payments Mr. Brown thereupon had cheques issued with the following declaration printed on the back thereof, namely;

" I hereby declare and sign that I was
" domiciled and resident in Canada on the
" 3rd August, 1914, and therefore entitled
" to par of exchange for this sterling,
" and certify that I have received the
" dollar equivalent of \$4.86-2/3".

If a Pensioner endorsed the cheque above such declaration he was paid for the same at market rate, whereas if he endorsed the cheque below the declaration he received par of exchange for it. Under the circumstances the form was - one might fairly say - almost an invitation to take advantage of the Government when received by a Pensioner not entitled to par of exchange. It was proven, however, after a very careful investigation by the Board of Pension Commissioners that advantage was so taken to a very limited extent and that the loss to the Government will probably not exceed \$2,900 in respect of a very large number of cheques, mostly for small sums, issued to a total value of over \$2,000,000. Under the above conditions and having regard to the steps taken by Mr. Brown to protect the Department - and the difficulties he encountered in his efforts to

do so - I am of the opinion that any serious criticism of the administration of these conversions (by the Department of Militia and Defence and Mr. Brown) is unwarranted.

With the Order in Council dated August 5th, 1921, administration of the conversions was committed to the charge of the Pension Board. This Board has taken all necessary steps to establish a proper list of those who are entitled to par of exchange and each Pensioner is now required by declaration and other evidence to establish his right to payment at par. Such precautions are, in my opinion, sufficient to safeguard the Government.

I am sending you herewith a copy of the proceedings together with the Exhibits.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "J. H. Munro", is written over a horizontal line.

Toronto, February 28th, 1922.