

by the Canadian laws as well, in effect. For example, in most countries, banks can lend on the security of mortgages; but, notwithstanding the fact that the bank is operating in a country where they do lend on the security of mortgages under the local law, it cannot do so under Canadian law, because there is an overriding prohibition, which says it cannot give additional powers.

Senator McCUTCHEON: It would not have them if it operated on an agency basis, but if it is a wholly owned subsidiary?

Mr. ELDERKIN: If it were a national bank of the country. For example, we have the Bank of Commerce which has a subsidiary in California and the adjoining states. There is also a subsidiary of the Bank of Montreal. Then, in Europe, in Paris, we have a branch or rather a subsidiary of the Banque Canadienne Nationale and a subsidiary of the Royal Bank of Canada. These subsidiaries operate entirely under the local law.

Senator KINLEY: What about the West Indies, and the Caribbean?

Mr. ELDERKIN: They are all branches down there. They operate entirely as branches and not as separately incorporated companies.

Senator KINLEY: Do you regard the conditions as being favourable to the operation of Canadian banks in foreign countries? Do they treat them liberally?

Mr. ELDERKIN: It is hard to generalize. The Royal Bank of Canada has just closed its branch in Montevideo in Uruguay, because the conditions were such that they could not continue and operate at a profit.

The CHAIRMAN: This is getting a little far afield, senator.

Senator KINLEY: It is all in the picture.

Senator REID: Keeping to the bill itself, on page 4, clause 5(9) says:

This section shall have effect notwithstanding anything in the Bank Act but shall cease to have effect on and after July 1, 1965 unless otherwise provided by Parliament.

Mr. ELDERKIN: The reason for that was that the incorporators, or rather the proposers of this particular bill, wanted to assure Parliament that they were going to retain absolute control of this bank in Canada, if they got the charter. In fact, they would prohibit any ownership of more than 10 per cent by any foreign interest. But this is really a provision which overrides the present provision in the Bank Act, where there is no prohibition on the transfer of shares at the present time.

Therefore, this provision had to say "notwithstanding anything in the Bank Act", it would have effect; but it only takes effect up until the time the Bank Act is scheduled for revision on July 1, 1965. It expires at that date and the bank, if incorporated, will fall then under the provisions of the Bank Act as revised.

The CHAIRMAN: This provision in the bill disappears, even if a charter is issued, when the Bank Act is revised; and what will apply, if there is a similar or other provision in the Bank Act, is that provision.

Mr. ELDERKIN: That is right.

Senator ROEBUCK: I would like to know why it is that the foreign banks are not doing business in Canada. I remember hearing at one time that Lloyds of London was not allowed to do insurance business in Ontario. I went into that subject very fully as Attorney General in Ontario and advised that they be allowed to do so. They have been carrying on business ever since, and I think to the advantage both of the customer and of the institution.

Why is it that English banks are not doing business here, through branches or in any other way? Is there some material reason or is it a matter of law, or what?