

cases, I am sure the directors declare their interest and allow decisions to be made by other people.

The CHAIRMAN: They leave the room.

Hon. Mr. SHARP: This is a very general problem.

Senator McCUTCHEON: He is not allowed in the room.

Hon. Mr. SHARP: Yes. I am sure that problem can be dealt with in a practical way. It seems to me that it would be a matter of difficulty, and I think it would be impractical, for example, to suggest that the companies in which the directors of the banks are also directors or executives, should be unable to deal with a bank. That would be an impractical and, I would think, an unnecessary regulation.

Senator McCUTCHEON: It is not a prime requisite of any bank director that the company he controls does a great deal of business with the bank?

Hon. Mr. SHARP: That has been, if I may say so, the principle underlying most bank directorates. However, it is not obviously the only consideration, if I may so, in this room.

Senator POWER: Obviously not the public interest, either.

Hon. Mr. SHARP: However, it is a general problem. We had felt that in the legislation we should try to minimize the extent of interlocking directorates, if I may use that word, and that we should take special precautions with respect to common directors of institutions that compete directly. That is why the special rules have been laid down for institutions which carry on a business that is close to banking. Indeed, some of my critics in the House of Commons have been charging me with not having the courage to declare them to be bankers. However, I have resisted the blandishments of these critics so far.

That is the best general answer I can give to the question.

Senator BENIDICKSON: Mr. Chairman, it was my function for several years in the House of Commons to table for the Minister of Finance the annual report respecting the shareholdings in the chartered banks of the country. I recall feeling a bit of surprise one time when I looked over this document to find that one of the mutual funds of the country was perhaps the largest shareholder in most of the chartered banks.

Would Mr. Elderkin or the minister tell me whether the subclause to which they referred in clause 52, having to do with associated shareholders, will affect that very surprising fact that I found when I was obligated annually to table this statement of the names of the shareholders in the chartered banks?

Mr. ELDERKIN: The mutual fund is one shareholder.

Senator BENIDICKSON: Well, I found that one particular mutual fund seemed to have a tremendous number of shares in most of the chartered banks across the country.

Hon. Mr. SHARP: Hereafter they will not be able to own more than 10 per cent in any one bank. They can hold 10 per cent in several, however.

Senator BENIDICKSON: At any rate, coming back to my point concerning the "associated shareholders", that will mean that they can have 10 per cent in 10 banks.

Hon. Mr. SHARP: That is right. It would be a pretty big fund, I should think.

Senator SMITH (*Queens-Shelburne*): Senator Leonard, in some remarks he made in the chamber this morning, put on record the situation with regard to the Canada Permanent Trust Company. He pointed out that on the board of directors of that trust company there were 16 bank directors. As I took it down in my note, three of those bank directors are vice-presidents of three separate banks, and there are four banks involved altogether from that total of 16 bank directors. Now, my question is, if all of the trust companies that we have jurisdiction over were in that particular situation, would you regard that situation as one requiring the kind of action you are now taking? I am looking for a reason for the assumption that must be made that there is some lack of competitiveness in such a position. Would you care to comment on that?