

bill? In other words, if this new legislation which we are now considering in this bill required that no banking organization present or future be owned by foreigners to a greater extent than 25 per cent, do you think that you would be protecting our own situation as you feel it should be protected, without including a clause such as 75(2)(g)?

Mr. SHARP: If we did not have a clause like 75(2)(g) it would be possible for a wholly-owned subsidiary of the National City Bank to expand to an unlimited degree, except to the extent that the Governor in Council refused to increase their authorized capital.

Mr. THOMPSON: I have not made myself clear, Mr. Sharp. Why do you not just require that all banks operating in Canada that have Canadian charters shall not have foreign ownership exceeding 25 per cent and be through with it? You cannot call that discriminatory because one of the present banks could very well sell 50 per cent of their present shares to American interests, there is nothing to stop them, so you cannot say that clause 53(1)(a) is discriminatory. Why not just make this a compulsory part of the act and let it go at that?

Mr. SHARP: We have made it a compulsory part of the act, if you want to use those terms, by requiring that no one may acquire more than 10 per cent of the shares of any other banking institution. That is part of this bill.

Mr. THOMPSON: I am not arguing against that. I agree with that.

Mr. SHARP: It is every difficult to maintain that position and then permit the wholly-owned subsidiary which owns 100 per cent of this bank to continue to operate as if this were in accord with the spirit underlying the legislation.

Mr. THOMPSON: I am not saying that it should do so. I am saying if you believe that it is essential in order to protect our own financial policy in Canada in the operation of our financial institutions that you should limit the amount of foreign ownership of any bank, why not come in the front door and do it instead of coming in the back door, which you say you oppose, by requiring them to do it through a clause like 75(2)(g)? Why do you not come straight forward and say that?

Mr. SHARP: There would have to be some sanction, Mr. Chairman, in such a law. Certainly it is very fortunate that the share ownership of all our chartered banks, with the exception of the Mercantile Bank is very widely dispersed. Indeed, we have only found one shareholder who owns more than 10 per cent of the shares of any of the other Canadian banks.

Mr. THOMPSON: But I am not arguing with that, Mr. Sharp. I am not arguing with that at all. I am agreeing with you in that regard, but you have said—and I am not quoting you exactly—that you have fears regarding the National City Bank of New York and Mercantile as it is presently set up. I am not arguing with you in any way in this regard but would it not be more of a front door entrance—and I am referring to this because you used these words yourself a while ago—to come out point blank and say that you are going to restrict the foreign ownership of any bank in Canada, including Mercantile, but you are going to give them a reasonable period of time—five years, or whatever might be reasonable—to divest themselves of 75 per cent of the shares of Mercantile, then and delete clause 75(2)(g) altogether, because in effect what you are going to do by placing a limitation on clause 75(2)(g) is force them, I would think, to come