

Senator McCUTCHEON: Some of the trust companies have competed so hard that they have got into difficulties recently.

Hon. Mr. SHARP: They have not many common directorates with chartered banks in those instances.

Senator McCUTCHEON: This one had a couple.

Hon. Mr. SHARP: May I ask a question, to clarify this point? May I ask Senator Leonard how it is that competition can be permitted between institutions, by directors who sit on both boards? Surely they have an interest in promoting the position of both institutions, otherwise they are not discharging their responsibility.

Senator LEONARD: That kind of competition comes in in many ways and they exercise their judgment, as to what kind of advice or decision they make, in the interest of the particular company at the time they are sitting on that board, when the question arises. They may have to disclose an interest, and a director does, if he is especially interested in it. Certainly, as regards decisions of the companies themselves or of the board as a whole, this type of lessening of competition, in my experience, has never existed.

Hon. Mr. SHARP: I would suggest, however, that if there were fewer common directors there would be a greater disposition to compete.

The CHAIRMAN: Less discretion.

Senator ROEBUCK: Have you any estimate of the numbers, Mr. Minister, of people affected by the new amendment?

Hon. Mr. SHARP: I do not have the numbers. I did look at the boards of directors of some of these institutions and my impression was that there would be considerable disruption.

Senator McCUTCHEON: That is the understatement of the afternoon, so far.

Senator BENIDICKSON: Mr. Chairman, in this extensive bill, there is a frequent recurrence in several clauses of the word "association" but that word is not defined certainly in the definitive clauses. When Senator Lang spoke about this matter of association in the Senate this morning, he said that certain sections defined, within themselves, what "association" meant.

I appreciate what the minister has said about association in a practical way; but could he tell us about this matter of association, as he understands it, in the bill?

Hon. Mr. SHARP: Mr. Chairman, I pray that this is too technical a question for me. Perhaps this might be directed to Mr. Elderkin in the first instance. If there is any question of policy that arises, I may be able to answer it; but on the definitions in the bill I am a bit at a loss.

The CHAIRMAN: Are you ready to give the answer, Mr. Elderkin, or did you hear the question?

**Mr. C. F. Elderkin, Special Adviser to the Minister of Finance (former Inspector General of Banks):** If I understood Senator Benidickson aright, he is asking for the definition of "association". I do not think there is any mention of "association," but of "associates," and these are defined in clause 52. The minister said he wanted the bank to appear independent. I wonder if he makes any difference between the common director of a bank and trust or loan company, and the common director of a bank and any other company which may be related to the bank, either because it borrows from the banks or has other business relations with the bank. In other words, is there a difference between the problem of interlocking and the problem of disclosure of interest, which underlies this clause, and the restriction to a trust and loan company—which is the only one that exists in this text?

Hon. Mr. SHARP: Mr. Chairman, there is a problem which I am sure all senators realize, about the position of any director. It arises of course when a bank receives an application for a loan, from a company with which a director is associated. In those