

The CHAIRMAN: You came in on some of the discussion. We were discussing the relationship of directorships and what this bill proposes to do as between directors and trust companies and bank directors and other corporations, and also the time limit within which banks which have interest in the trust companies must shed that interest to 10 per cent. I think perhaps discussing the purpose of that could be a good idea.

Hon. Mr. SHARP: The purpose, Mr. Chairman, was as outlined by one of the senators who spoke while I was in the room, namely, to promote the independence and competitiveness of the banking system in this country.

I believe that the banking system of this country is not as competitive as it should be; I believe it is not as independent in its dealings with its customers as it could be; and I believe that the existence of so many common shareholders does not promote either of these causes. In particular, I believe that it is very much in the public interest and in the interests of the institutions themselves to reduce the number of common directors.

Senator McCUTCHEON: You said, "common shareholders" a moment ago.

Hon. Mr. SHARP: I am sorry, I meant common directors. This is a question of judgment as to what degree of interlocking there should be. This bill expresses, of course, a judgment on that point.

I do not think it is unreasonable, I think it is most important, from all points of view, to establish clearly in the public mind that the banks are operating independently, treat all customers alike, and that they in turn do not exercise an undue influence upon activities of other institutions, particularly those with which they are in competition. The trust companies, loan companies, are in competition with the banks, partly because they are deposit-taking institutions, all of them, and partly because they compete as lenders. This competition is going to increase, I hope, and in order to promote the competition I suggest, Mr. Chairman, that it would be better for all concerned if the boards of directors were not only independent but appeared to be so.

That is the general philosophy which underlies the legislation.

The CHAIRMAN: I though there was in what you said some suggestion, it may be that it was not intended, that the banks, operating as banks, in their inter relationships, were less independent than you thought they should be. Were you intending to suggest that?

Hon. Mr. SHARP: Not as between banks. I think that the competitiveness of the banks can be promoted. There is, of course, another provision of the legislation, that prevents, hereafter, agreements on interest rates and charges and so on. I believe this is another part of the aims of the Bank Act and related legislation; but I am not suggesting that the banks themselves have common shareholders.

Senator McCUTCHEON: In regard to this theory you have put, is there any evidence that you know of, Mr. Minister, that the existence of common directors between, say a bank and three or four trust companies, for that matter, or vice versa, has in fact affected their competitiveness in the fields in which they are competitors, namely, primarily in taking deposits and in making certain types of loans?

Hon. Mr. SHARP: If you want a general impression, the answer to that question is yes. My impression is that these institutions are not as competitive as they should be. That is a qualitative judgment. I am not a director of a bank and never have been an employee of one, nor have I ever been associated with any trust company. The impression that I have—and it is very important at this time to create the kind of atmosphere that should prevail—is that these institutions work together for common purposes and are not active competitors. I believe that that is undesirable.

Senator LEONARD: Mr. Chairman, I think I should say here that, having been in the trust of loan field practically all my business lifetime, my own experience, as I said in the Senate today, is that there has been hard and keen competition; and I have never been conscious at all, as a person in the trust and loan field, of any lessening of the competition between them and the banks. Quite the contrary.