

bank and at the same time was director of a trust company was in any way inimical to the operations of either one of these institutions.

This subject was discussed in the parliamentary committee hearings, and at that time I think there was an expression quite strongly supported that the detrimental effect of this legislation would be felt by the trust companies rather than by the banks, and, if there was an area where this was not desirable, it was in the area of the trust field, where as we all know there have been some problems and there have been many new companies and new incorporations.

In short, when it came to be a choice between the two it seemed likely that the individual concerned would prefer perhaps to stay with this banking directorship rather than with his trust directorship. Be that as it may, it is a fact that whichever corporation loses a director, it is losing strength because these directors are selected, so far as the chartered banks are concerned, from right across the country. They have much to contribute to the deliberations of the banks at board meetings and in their advice to management, which is a most important factor, in the opinion of the association this legislation was certainly built on a rather illusionary base.

We would certainly quite strongly support any amendment that would eliminate the clause. Failing that, we feel that there should be an extension certainly of the time required to comply with the legislation. The amendment to clause 75(2)(g) extends the date to December 31, 1972, and perhaps if that is the only concession we can obtain this would be a suitable date by which these separate clauses could be met. With the relative closeness of the removal of the interest rate ceiling, as was mentioned in the chamber this morning, the effective time for a trust company director who is also a director of a bank would start to run January 1 or 2, 1968 and be through by January 1970. There is no ministerial jurisdiction permitting a further extension of this, so this would mean the effective date would be January 1970.

In clause 76 the date is July 1, 1971. As we all know, the original intention was to allow it to go five years. However, it might be the easier way to have them all expire on the same day, namely December 31, 1972.

I think there is not much that I can add to the advantage of the freedom that trust companies and banks should have with respect to selection of directors, and we must remember that this legislation also applies to any company that owns more than 10 per cent of a trust company. The limitation on joint directorship there is also applicable where any company or corporation owns more than 10 per cent.

With respect to the limitation on the number of directors in other corporations, where one-fifth is the limit prescribed by the act, we feel that where a corporation has a relatively small board, this can be quite difficult. This can create rather quite difficult situations in more than one case. We would respectfully suggest that if there is a need for a limitation on this, and we do not agree that there is, this could be raised at least from one-fifth to perhaps two-fifths.

Senator BENEDICKSON: Mr. Chairman, on the last point brought up by the witness, the matter of directorships, I do not want to bring in company names, but could he give examples of what is involved in the new law which says that if you are on directorship "A" you cannot be on directorship "B"? This refers to the first part of his testimony on trust companies as well.

Mr. PATON: Well, in so far as the latter part of my statement is concerned, sir, I know of one specific instance where there is a board comprised of 10 or 12 directors, three of whom are members of the board of my own bank. When this legislation comes into effect it will be necessary for that number to be reduced to two. This does not accomplish anything. The presence on the board of these three individuals is very beneficial to the corporation, and I am quite sure there are a number of similar cases. I have no specific total from which I could quote.

Senator ROEBUCK: Mr. Chairman, the act says that the directors shall not be elected. Does that extend to re-election?

The CHAIRMAN: Shall not be eligible, it says.