

these agencies, will they, in fact, become some kind of barometer, or thermometer, on the climate of investment in Canada so that those agencies will either do their investing on a large or small scale? Will it not have this effect?

Mr. SHARP: No; I do not think that is a proper conclusion. I am sure that when the bankers were before you, although I did not have the privilege of being here, they described how their agencies operate in New York. I understand they do a very profitable business, but they do not gather the savings of Americans to do that.

The CHAIRMAN: Thank you, Mr. Valade.

I think we might now begin our second round.

I might say, just as a point of interest, that before we began our meeting this afternoon I was downtown and I dropped into a small retail store on Sparks Street. The manager approached me and asked where he and his wife might be able to buy some Mercantile Bank shares. You might want to pass this information along to the owners of the bank!

Mr. MACKASEY: I hope the prospectus indicates a true financial position.

The CHAIRMAN: I took the same position as that of the minister and said that I did not think it would be advisable for me even to venture a suggestion.

In any event, to begin our second round of questioning I will recognize Mr. Monteith who, I know, may want to yield to Mr. Lambert.

Mr. MONTEITH: Yes, I would just like to follow up my last question, if I may. Might it not make it more attractive for Canadians to invest in the Mercantile stock if the present owners of the banks decided to divest themselves of 75 percent of their holdings, bearing in mind that this divesting cannot take place over night, and the changes in the Bank Act will be coming into force reasonably soon,—I come back to the qualification—and if, in the meantime, some greater incentive were allowed to enable the bank to go ahead, progress and make money in that interim, such as removing the provision in respect of “20 times the authorized stock”, which at the moment has been exceeded.

Mr. SHARP: I can only answer this question, Mr. Chairman, by saying that the government does not intend to change that ratio; and while the National City Bank, of course, asked to be free of all these restrictions, anything that I have heard about the thinking that they have been doing recently does not depend upon a change in that ratio.

Mr. MONTEITH: Well then may I ask just how the figure of 20 was arrived at, rather than 18 or 22, or 15 and 25.

Mr. SHARP: Some figure had to be taken and, if I may venture an opinion as to why the “20 times” was taken, it was considered to be sufficiently high to enable the bank to continue in operation and sufficiently low to be a very strong incentive to dispose of 75 percent of their shares.

Mr. MONTEITH: You say, sufficiently high to have the bank continue in operation but, if it cannot go any higher, it cannot make money, according to that financial statement of Mr. Mackasey.

Mr. SHARP: Well, I will not speak for the affairs of the Mercantile Bank but I understand that the National City Bank inherited some accounts that were not the most profitable. The former managers and owners of the bank had not