and when they retire their places will be filled by the shareholders, but the bill will provide, as well as can be provided in a statute of this character, that they shall be selected in such manner as to make them representative of the different interests in the country.

Mr. McINTOSH: If the opinion of the governor and the directors of the bank prevails in any difficulty that may be up for solution, then what about responsible government in Canada? Where would that be?

Mr. RHODES: Well, Mr. Chairman, the authority and power of parliament is always supreme, and it is none the less supreme because of the fact that parliament, in its wisdom, may delegate a portion of its authority in this instance, as it has done in numerous other instances.

Mr. MACKENZIE (Vancouver): The minister has stated that no employees or officials of the chartered banks will be allowed to hold shares in the new bank. May I ask if that will apply also to the trust companies, some of which at the present time are more or less subsidiaries of certain banks?

Mr. RHODES: The act is worded as closely as it is possible to make it in order to prevent a bank from holding shares even indirectly, and I would assume in the instance to which my hon. friend refers that it would become a matter of interpretation as to whether that would be an indirect interest on the part of the banks. I can assure my hon. friend that when the bill is considered by the committee on banking and commerce the government will welcome any additional safeguards that can be provided in order to help carry out the intention expressed in the bill.

Mr. MACKENZIE KING: May I ask if there is any provision in the bill to the effect that the officers shall be Canadians?

Mr. RHODES: I think the term used is "British subjects." The bill provides that they must be British subjects, but it does not say they must be Canadians.

Mr. LAPOINTE: Why not "Canadian nationals"?

Mr. RHODES: Well, Mr. Chairman, that is a fair subject for debate, and it is a matter which can be discussed in the banking and commerce committee. I am merely advised that the practice which has been followed in numerous other acts in which limitations are imposed with regard to the nationality of those who shall compose certain bodies has been followed in this case, but that is a matter for discussion. Of course there are other limitations in addition to this matter of residence.

Mr. REID: I should like to ask the minister if the government will control the metal coverage and also define what precious metals will be used as coverage.

Mr. RHODES: I think the answer to that question is that the statute itself provides for the metal coverage, so the statute would control it and not the government.

Mr. SPENCER: May I ask if the Minister of Finance will hold a share in this bank, on behalf of the government?

Mr. RHODES: No. It is provided in the bill that if the stock is not completely taken up by the public the Minister of Finance may do so. There is also a provision that all proxies shall come through the Minister of Finance.

Mr. LAPOINTE: Are members of parliament excluded?

Mr. RHODES: No.

Mr. COOTE: Is the Minister of Finance to be a member of the board?

Mr. RHODES: No.

Mr. MacLEAN: If I understood him correctly the minister said that the issuing of these bills would be gradually taken over by the central bank. How will that be done? I understand that at present the advertising from the bills is quite a factor to the banks, and that if they lose the right to issue bills they will lose the benefit of this advertising.

Mr. RHODES: The bill provides that beginning January 1, 1936, there must be a reduction of 5 per cent in the bills issued by the banks. That reduction continues for a period of five years, and then for a further period of five years the reduction is 10 per cent annually, so that at the end of ten years there will remain only 25 per cent of the total issues by the banks. Then when we come to another decennial revision of the Bank Act we will see what action is advisable in that respect, but certainly the notes of the banks will disappear in the proportion I have mentioned, so that at the end of ten years all the bills, with the exception of 25 per cent, will be those of the Bank of Canada.

Mr. YOUNG: The minister spoke of the right given the chartered banks to issue notes. Do they pay any interest to the government on their note issue or any part of it?

Mr. RHODES: Yes; they pay, and have paid for a number of years, a tax of one per cent on their circulation.