

The comparison, Mr. Minister, was between the form of the clause as it was in the bill before and the form of the clause as it was after it was changed yesterday afternoon. The criticism seemed to be that the change which was made yesterday, with all due respect, produced a fanciful, unreal kind of situation.

Hon. Mr. SHARP: I am very happy to comment on that, Mr. Chairman. The senators will have observed the history of this clause 75(2)(g). It was introduced in the 1965 bill in exactly the same form as it was introduced by me in the 1966 bill.

That clause, as you know, provides that any bank which has a shareholder that owns more than 25 per cent of the stock shall be restricted in its operations to liabilities 20 times its authorized capital. When the bill was considered by the house committee on Finance, Trade and Economic Affairs, two changes were made. The first which was not in clause 75 (2) (g) itself but related thereto was that any bank that had a shareholder with more than 25 per cent could only dispose of shares to residents of Canada. Now this was a very important change. Up until that time it would have been possible for the Mercantile, which is one of the banks involved here—

An Hon. SENATOR: Is there another?

Hon. Mr. SHARP: The Bank of Western Canada.

It would have been possible for the Mercantile to have disposed of shares to non-residents, and that had certainly not been the intention of the Government, but it was not until the bill came before the committee that this point was fully realized. I suggested to the committee that that gap in the legislation should be filled, and the committee so recommended.

The second change arose out of the request that was made to me by the Mercantile Bank of Canada that they would like to have some time before having to bring their liabilities down to 20 times their capital in order to improve the profitability of the bank with the intent of selling shares to Canadians.

This request was considered by the committee, which on its own initiative, and with the unanimous consent of the members of the committee, altered the date by which a bank in that position had to bring its liabilities down to 20 times its authorized capital from 1967 to 1972. I was asked in the committee what I thought about this suggestion, and I said I thought it was not unreasonable. I said I was very anxious to see the Mercantile Bank become a Canadian-owned institution and I did not want to put any unnecessary roadblocks in the way of the bank in disposing of its shares. I thought this was a question of judgment and I thought it was not an unreasonable request. As I say, the house committee on the motion of one of the Liberal members, seconded by one of the N.D.P. members, and with the unanimous consent of the members who had been discussing this question over some considerable period of time agreed to recommend that the date be changed from 1967 to 1972.

When this proposal was made in that committee I was a bit concerned myself about the possibility that whatever the intention of the Mercantile Bank might be, it was just possible that the liabilities might expand to much more than 20 times the authorized capital, and we would come to the end of the period faced with the bank having expanded to this extent without having disposed of shares to Canadians. We would then be faced with the necessity of requiring the bank to reduce its operations, in accordance with the law.

I thought at the time that I should perhaps suggest to the committee that the extension of time should be subject to the approval of the Governor in Council so that there would be an opportunity for the Government to consult with Mercantile Bank from time to time, and if it appeared at any time that the bank did not intend to sell shares to Canadians, notwithstanding its representations to us, then the date might be advanced to a date earlier than 1972, before the liabilities had expanded to a point where it might not be expedient to compel them to reduce their operations. They would have employees; they would have branches and so on, and it would be a very awkward problem. However, at the time I was not quite sure whether the motivation would be understood, and whether in fact the committee might not feel that it was undesirable to