

*Bank Act*

**Mr. Lambert:** The hon. member does not have the right to the floor to ask a question. I have had the privilege of sitting on the banking committee much oftener than the member for York South and I have heard enough asides from his colleague, the hon. member for Nanaimo-Cowichan-The Islands, to suggest that there is more than just the Mercantile Bank within his sights when he is talking about nationalization.

I must express, as I did in the standing committee, extreme disappointment with this legislation. As I say, the Bank Act has been in force since 1954 and we have seen the development of banking practices and of near banking practices since that time. Further, the Porter royal commission held many hearings and produced a monumental report which contained one key recommendation. It was not its most important recommendation but it was part of the central core of a package deal, and that was the control over near banks. Bill C-102 proposed nothing with regard to near banks and Bill C-222 does nothing with regard to them.

**Mr. Sharp:** Mr. Chairman—

**Mr. Lambert:** The minister will have plenty of time to speak. I have only 20 minutes at my disposal. I can resume this theme if he wishes. I hope we will have a healthy exchange of views, but if the minister will only contain his impatience he will get the true perspective of what I want to say.

● (4:40 p.m.)

I would think the control of near banks could be efficient under the act and its regulations as they now exist. Regardless of where these near banks are located it is obvious that provisions for inspection and control will not be the same as those which apply to the commercial and private banking system in this country. The act could have been divided into two parts. The first part could apply to commercial banks and the second part could apply to near banks. Instead of that we have suffered financial crises, strong pressures from external forces and three changes of mind on the part of the government in respect of deposit insurance. The government has also said that deposit insurance is an interim measure and we must look at the situation regarding agencies operating in Canada with a view to providing certain specific regulations. All I can say is, this is a terrible way to run the store. This is a slipshod practice. We are applying one plaster to

another, putting one bandage on another, with the hope that the wound will cure itself.

It has always been my belief that with an appropriate definition of the business of banking we could have a great deal more control. The act indulges in the luxury of using the term "business of banking" and states that no one can commence the business of banking until certain things happen. What is the business of banking? The act is strangely silent. It says one must not indulge in certain practices until something happens but it does not say what that practice may be.

Many people have suggested that it would be difficult to define banking. Some are afraid to define banking at this time because such a definition might not cover the practices of dealing with the credit and money deposits which may exist in 1970. Someone in some court might say that the 1970 practices did not exist in 1967. It is argued for this reason that it would be difficult or imprudent to confine the practice of banking to a certain definition.

It is my suggestion that it is within the realm of human possibility to define banking in such a way that the definition will grow and change with circumstances. Let me refer hon. members to certain precise definitions of banking and the practices of banking. Before doing so let me say that I am concerned about definitions in respect of banks, banking, interest and currency because jurisdiction in this regard is confined to the federal level by the British North America Act. The federal government has exclusive jurisdiction to deal with these matters. Provincial governments have at different times attempted to assert some authority in this field. The province of Alberta, under the excessive zeal of the Social Credit administration, attempted to do a number of things regarding credit. It was finally decided that the province could not carry out these things because they were outside the jurisdiction of a provincial administration.

Let me refer the members of this committee to a definition of banking by Professor E. P. Neufeld:

—a bank is certainly a financial intermediary, and that a financial intermediary is a bank to the extent that it accepts deposits and to the extent that these deposits are used directly or indirectly as a medium of exchange; directly in the sense that cheques can be written against them, and indirectly in the sense that they may be moved very freely into cash or cheques or orders which are drawn against chequeable accounts, and the question really is do the non-banks have deposits of this kind in sufficient size to justify their being controlled?