

Statements by Ministers

of competition and conflict of interest. I had already informed the House that I would review very carefully the Imasco-Genstar takeover under Bill C-103 with the public interest and stability of the financial system as very clear priorities. As part of this review, I asked Imasco for very specific undertakings.

I am pleased to inform the House that Imasco has met the Government's requirement for strong and clear undertakings to protect the public interest in the spirit of Bill C-103. These undertakings cover not only the period prior to passage of the regulatory Bill but a further period which should provide us all with sufficient time to discuss and resolve these very fundamental issues. At the same time, the Government and Parliament can move in an orderly and careful way to a decision on the policy which should apply to ownership and control of financial institutions in the context of over-all regulatory reform in this sector.

Specifically, the following undertakings have been received from Imasco; there will be no self-dealing between Canada Trustco and Imasco and its affiliates either through loans, trustee arrangements or other types of transactions. Canada Trustco's board of directors and management will be independent from Imasco and its affiliates and associates.

[Translation]

Imasco will not acquire control of any other financial service corporations.

Imasco fully accepts the powers which Bill C-103 as presently drafted will give to the Minister upon adoption, particularly the power to cancel the acquisition of Canada Trustco, in part or in whole.

Imasco accepts that Parliament may legislate on a financial institutions policy ownership which might require divestiture, and more rapidly still in the case of firms that have acquired financial institutions after November 29, 1985.

I therefore urge all present and future members of that sector to make a careful examination of Bill C-103 and the Imasco commitment.

[English]

The fundamental importance of our financial institutions to Canadians, and to the growth and stability of the economy, will always impose special obligations on those who participate in this industry. I recognize also the Government's obligation to put in place a new framework for regulation of the financial sector. We are doing just that. The report of the Estey Commission and the Senate Banking Committee's recommendations on the Green Paper proposals for financial institutions regulatory policy will all be part of that process. I am not prepared to force the process to a premature end. As other observers have noted, the issues are too fundamental, too complex and the financial sector too important to be decided in a matter of days over one specific case.

Before closing I want to deal briefly with the issue of corporate concentration which Hon. Members of the House have raised in relation to the Imasco-Genstar situation.

Corporate concentration is a very broad issue which encompasses many sectors of the economy, not just the financial sector. The debate on this broad issue cannot be resolved in the context of the financial industry alone and certainly not on the basis of this one particular situation. The chief concern raised in this House about the ownership of financial institutions by non-financial corporations is self-dealing and the resulting risks not only for the depositors but for the economy as a whole.

With the assistance of Hon. Members and with the co-operation of Imasco, the specific situation which raised concerns in this House is under careful control and review. The public interest is being protected and will be in the critical areas I have noted. We will continue to move forward in close consultation with the provinces and with the best available advice from all sources to ensure that a new framework for the financial sector is put in place to support the solvency of financial institutions and to strengthen competition and efficiency in the financial sector.

I look forward to receiving in future, as I have in the past, the thoughtful assistance of Hon. Members in this important area of Government policy and regulatory reform.

Miss Aideen Nicholson (Trinity): Mr. Speaker, I want to thank the Minister for her courtesy in supplying a copy of her statement in advance. Most Hon. Members of this House are concerned that a takeover by a non-financial institution of a financial institution is not in the best interests of our country. That position was stated by the Leader of my Party in this House when he pointed out some of the reasons why people are generally concerned. He said at page 12051 of *Hansard* on April 9, and I quote:

A financial institution so controlled can block or divert loans from competitors or to competitive allies. It can control cash flow. There is the temptation for self-dealing that was only too apparent during the crisis three years ago in Ontario involving Greymac and other trust companies.

—the interests of the depositors are not necessarily going to be paramount where there is a conflict of interest in holding and where the shareholders in their correlated and blended interests will take precedence over the depositors.

In a recent article in *McLean's* magazine a prominent businessman in Canada said very succinctly: "When one entity is both creditor and owner of equity in a company, there is an obvious conflict of interest". These were some of the concerns which were addressed by the Committee on Finance when it was studying the Green Paper on regulation of financial institutions last fall. The report of the Committee on Finance included this sentence, and I quote:

The committee is concerned about the increasing trend towards non-financial ownership of financial institutions and feels that concentrated ownership, particularly that of large financial institutions, should be limited.

● (1650)

The Canadian Bankers Association stated to the committee:

—this co-mingling of non-financial and financial businesses is undesirable. It would try the confidence and trust that Canadians place in their financial system.