

*S.O. 31*

we have tried to bring before committee where it can be discussed with some sort of calmness and rationale. However, the crisis is not as described. The crisis has to do with the regulatory environment in which we live. The crisis was not created by this Government, it was created by the former Government, which ignored, ignored and ignored the problems which arose.

**Some Hon. Members:** Hear, hear!

**Mr. Deans:** That is a compelling argument!

**Mrs. McDougall:** Our laws regarding financial institutions are antiquated, particularly the federal laws in this country. Despite many proposals for reform and modernization many key federal statutes, such as the Trust Companies Act, the Canadian and British Insurance Companies Act, the Loan Companies Act, the Foreign Insurance Companies Act, and others, have not been reviewed in any significant respect for decades. We have too long relied on overburdened regulators to use the limited tools available to them so imaginatively as to remedy the defects in the existing system. In order to remedy the defects some action is required.

Even the Bank Act is outdated despite its decennial revisions. The last revision unleashed fundamental changes in the Canadian financial system. I am speaking of new Canadian banks, subsidiaries of foreign banks and new definitions of their authority. This involved substantial new responsibilities for the Inspector General of Banks. However, the implications of those changes were not thought through and adequate regulatory authority and staff were not provided. In fact, they were treated in a totally desultory and offhand manner.

In Ontario the Crown Trust-Greymac-Seaway Affair clearly demonstrated problems with the regulatory system. Ontario faced up to its responsibilities under the Progressive Conservative Government of the day. It produced two major reports, a discussion draft of an entire new law and a restructuring of the supervisory system. Until the advent in Ottawa of the present Government nothing was done, despite the obvious relevance to Ottawa of the happenings in Ontario and even apart from the fact that they cost the Canada Deposit Insurance Corporation, a federal institution, hundreds of millions of dollars.

In the meantime, there were changes in the market-place. A review and change of our institutions and our supervisory structure would be necessitated in any event by those very vast and profound changes, not just in Canada but changes around the world. Technological change is reshaping how the markets operate. However, our regulators are prevented from reacting flexibly and quickly because they are restricted by rules written in the age of the quill pen. Futures instruments, options and other new trading vehicles can vastly increase risk; but properly used they can aid the conservative investment manager. Internationalization of the trading markets is steadily

increasing. All these fundamental changes have been largely ignored by our laws by that Government.

The CDIC developments since 1982 abundantly demonstrate the need for action to decrease the risk involved in its further exposure, the exposure of other institutions and of Canadian depositors.

There is additional competition through smaller entrants into the business. No one is more committed than we are to the importance or regional banking and the need for greater competition in the financial services market when business conditions warrant and when they can be made within a suitable regulatory competitive environment.

The prior Government accepted the constraints of ownership restrictions and therefore tried to meet the need for competition through the admission of foreign-controlled and free-standing Canadian corporations which tended to be small because they could not have major investors. Some fine companies have entered the market under this approach but the desirable level of competition has not been reached. A new approach is needed because that competition was achieved without proper regulatory supervision.

For the first time this Government has attempted to take some action around this regulatory environment. We have a Green Paper which proposes a new regulatory pattern which would meet the need for more effective competition by permitting greater flexibility in organizational arrangements. However, regulatory concerns are at the forefront. In the principles laid out in the Green Paper, consumer protection is at the top of the list.

The Green Paper proposes a modernization of all federal statutes in this area. We produced this paper as a priority item. We have moved ahead with it and we are prepared to proceed as quickly as possible after the conclusions of the parliamentary committee have been made known. We have attempted, for supervisory purposes, for the first time in Canadian history, to deal with the financial services industry, as an industry in which all depositors have an interest. And we have attempted for the first time in Canadian history to harmonize our policies with those of the provinces in a responsible way so that our regulatory and supervisory capability is enhanced across this country and under every jurisdiction.

● (2050)

This Government also commissioned Mr. Robert Wyman and his colleagues to produce a far-ranging report on the Canadian Deposit Insurance Corporation. I have already announced that I will be implementing important aspects of their report in the very near future. I have also announced my intention to appoint a private sector advisory panel to recommend improvements to the federal financial institution regulation system so that we can go down a little deeper. This committee will concentrate on operational details, staffing, procedure, co-ordination and the use of technology.