

*Canada Deposit Insurance Corp.*

the financial system of Canada can stand without a real crisis being engendered. I venture to suggest that if one were to ask the majority of those in financial circles that question, they would answer: we cannot stand any more.

It is with this background that I come to my suggestion that we should extend this principle of a lender of last resort into the field of finance companies, thus holding out another device, another carrot as it were, to attract a further segment of the financial field beneath the umbrella of federal regulation and control.

• (5:40 p.m.)

As a result of discussions with representatives of this type of company, I understand that even well established and reputable companies, with conservative type business administration, can find themselves in serious difficulties in times of tight money because they rely to a great extent upon lines of credit established with the chartered banks. They of course must have a balance of long and short-term obligations on their own part. In other words on their credit side their obligations are of medium or longer term nature, but they themselves raise their funds by issuing short-term paper. Even those that are conservatively administered have this problem of business management not to let the two get too far out of balance. They rely to a great extent, in the event of an emergency, on being able to go to a bank and call on the line of credit they have established, and they always carry on their financial operations within that limit.

However, I am informed that in times of tight money they have had the experience of going to their banks, hoping to draw on their line of credit, only to be told, "I am sorry. Haven't you heard? Money is tight and the full line is not available." In such a case they naturally find themselves in serious difficulties. Therefore I think it would be a prudent assistance to extend to these institutions some such device as a lender of last resort, so that if they found themselves in this kind of difficulty they would have an organization to which they could turn, although at some expense. It is not something they would do every day without regard to the consequences, but it would tide them over the period of difficulty.

I suggest that this lender of last resort should be a federal government agency, and as a condition of having access to this lender of last resort once again a regulatory and

control scheme could be set up. On the basis of conversations I have had with reputable organizations in this finance and lending business, I am satisfied that they would be quite prepared to accept, as a price of having access to a lender of last resort, the obligation to submit to federal control and regulation.

I also suggest that if this were done we would have made a very important start on, if you like, resolidifying under federal control and jurisdiction the important segments of those institutions which are in the business of money and banking, taking deposits and lending on credit, all of which I submit are inter-related parts of the money and credit system, control of which by the federal government is an indispensable prerequisite to a sound finance system in Canada.

By the review now being undertaken of the Bank Act and the important amendments being made, and by this device of deposit insurance which we are now considering, one aspect of which is a lender of last resort available to deposit taking institutions, and by extending the principle of lender of last resort to loan and finance companies, we would take an important and essential step in this field, a step which is essential because of the disturbing developments that have taken place within the past 12 months.

In conclusion, Mr. Chairman, I wish to support the request made by the hon. member for Edmonton West that the bill be referred to the standing committee on finance, trade and economic affairs. If that committee is to do a thorough job it must have the opportunity to study this bill, not only its implications with respect to the Bank Act but with respect to the whole field of the federal control of money and credit. The relationship between the two is intricate and inescapable, and the committee should have the opportunity to study the bill and get the opinion of representatives of the bankers association, and of others in the finance field.

Such a step would not in the slightest delay our consideration of the Bank Act amendments. Indeed, without the committee having access to this bill, studying it and hearing evidence upon it, I suggest our consideration of the Bank Act itself would be delayed because we would be operating in a vacuum. We have to ask about this thing anyway. The bill is now ready and I am satisfied that sending it to the committee would accelerate our consideration in that committee, and certainly make it more meaningful.

[Mr. Fulton.]