

Canada Deposit Insurance Corp.

right to the provinces in a field in which the constitution says they have no jurisdiction, let alone joint jurisdiction. It must be remembered that he who would assert provincial jurisdiction in this matter must show more than provincial jurisdiction. He must show that there is joint jurisdiction or that there is no exclusive jurisdiction on the part of the federal government.

With all respect for those who may assert this for their own reasons, and perhaps as a bargaining position, I cannot agree with them in view of my reading of the B.N.A. Act. Therefore I submit that I object to the scheme of deposit insurance as a cure for the ills that are presently existent in, shall we say, the financial institutions picture in this country. There is the ancillary problem of proper supervision of finance companies. That is a horse of an entirely different colour. Also there is the question of the control of securities operations. This is another matter, and it is not cured by the deposit insurance because finance companies who do not take deposits do not come in under deposit insurance, and therefore can go broke at the rate of one a week, and there will be no help for anyone under the type of insurance program that is proposed by the government. Therefore, and for a third reason, I say that I object to the program of deposit insurance because it is not needed by those people who are going to be compulsorily involved.

The chartered banks will be the milch cows of this scheme. They certainly have by far the greatest volume of deposits and they will be required by law to submit to the inspections to which they already are subject. They will have to pay the premium and this will be passed on of course to their customers. It is the poor old public which is paying for nothing in this particular instance. Why? To create a scheme to which other people will adhere.

Mr. Fulton: It is hoped.

● (4:40 p.m.)

Mr. Lambert: Yes; as the hon. member for Kamloops said it is hoped that the public might be more receptive to dealing with near-banks if their deposits are guaranteed. On the one hand the government in its amendments to the Bank Act says it wants the banks to be more competitive, and on the other hand, with this deposit insurance scheme the government is bolstering up the banks' competitors; therefore it is not making the banks more competitive.

[Mr. Lambert.]

Mr. Sharp: No; it is making the whole system more competitive.

Mr. Lambert: The minister says it is making the whole system more competitive. In my province, for instance—and I am sure the minister has received this answer from the treasury of the province of Alberta—it is deemed that the treasury branches of that province will not fit into this scheme because they are mere emanations of the treasury of the province and are therefore not near-banks, incorporated trust companies or what have you. In so far as the banks of the province of Alberta are concerned, it is the treasury branches, with some of their operations—and I wish we could get them into the daylight where they could be examined—that are the biggest competition to the chartered banks.

The government has proposed this scheme. I wanted it to come before the committee so we could examine it. We want to know the reaction of the junior trust companies, the reaction of the bankers, to this type of scheme. I am pleased to see that included in this scheme is a provision for lender of last resort. A scheme of deposit insurance that did not have such a provision would, I think, be quite meaningless if we are going to improve the security of our financial system.

We would like to know the details in this respect, because lender of last resort provisions will present a real difficulty. There should be some penalty provided in this connection. In my estimation there should be provisions with regard to the right of takeover of an operation, the right of merging or of sale of an operation, as is available under the F.D.I.C. in the United States. I would have thought the minister could have told us a little more about the inspection provisions and the standards that the near-banks will have to meet. The minister is asking us to accept something in principle. I think that in so far as the standards of inspection that must be met is concerned, they must be those of the Inspector General of Banks and we should apply nothing less than the standards for investments under the Trust Companies Act required by the Inspector of Insurance. These are the minimum standards that we could accept.

I do not think we should ask that any near-bank applying for participation in the deposit insurance scheme should be already up to those inspection standards. After all, if they are to maintain their position of liquidity we cannot insist that they shall engage in a