

Adjournment Debate

cial Bank despite the fact that he had to participate in the bail-out of the Bank.

● (1820)

I would like to put some of the facts that we learned on the record. The management of the Canadian Commercial Bank can only be characterized as incompetent. Two of Canada's largest auditing firms audited that Bank in December of 1984 and certified it to be a viable operation only two or three months before the Bank virtually went bankrupt. The Inspector General of Banks should have known of the difficulties of the Canadian Commercial Bank because he knew that over the years the Bank officers had been involved very closely, almost incestuously, with Leonard Rosenberg.

The officers of that Bank were also the officers of a trust company into which an Indian Band in Alberta had invested \$1 million believing the company dealt with mortgages and real estate. That \$1 million has virtually disappeared as a result of the very questionable actions of the Bank officers who were also officers of the trust company. The auditors of that trust company, Coopers & Lybrand, apparently did not take the time or trouble to discover and report that things were going wrong.

A leading investment firm, Dominion Securities Pitfield, advertise on television almost every day telling people that they would be wise to go to that company for advice on how to invest their money. That company gave the Canadian Commercial Bank its blessing, telling its potential customers that the Canadian Commercial Bank was a good company to invest in.

There is a great deal wrong with the way in which our financial institutions operate. If our monitoring system could not see in advance how badly the Canadian Commercial Bank was being operated, how will we ever monitor financial institutions if we follow the advice of the Minister of State for Finance to open up the field to trust companies, insurance companies, and other large corporations?

On March 26 I asked if there would be draft legislation to accompany the White Paper. The answer was clearly that there would not be, that there would be committee hearings this summer but no legislation. I asked if the Minister would be promoting uniformity in legislation between the federal and provincial Governments. Mr. Speaker, we have seen a veritable host of trust companies, mostly chartered by the provinces, going bankrupt. Their depositors have been saved by federal government money pumped in through the Canadian Deposit Insurance Corporation. The Government is apparently going to try to get uniformity, but the Green Paper is not very specific as to how this is to be done.

I will give one more illustration of something which should be done which would protect the depositors better than any other action the Government could take. I ask if the Government will ensure that no one person can gain control of a trust company, usually with borrowed money, and then subvert this trust by using depositors' money to finance what were really personal transactions.

● (1825)

That is the method by which Leonard Rosenberg created his paper empire at Seaway and Crown Trusts. Those companies inevitably had to fail, and they took down with them hundreds of millions of dollars in the life savings of ordinary Canadians.

The Green Paper says that it can control this by banning "self-dealings". Can the minister give her assurance that the provinces will ban self-dealing? Further, if self-dealing is banned, will it really stop the Leonard Rosenbergs of this world since they seem to be so readily able to manipulate their supposedly professional staffs and our regulators, who should be protecting us, by engaging in such obvious ploys as that of Mr. Rosenberg appointing his wife to stand in as chief executive officer of Seaway Trust?

Finally, if these suggested methods are found wanting, is the Government prepared to recommend a more fundamental solution, which is the extension of the 10 per cent shareholders' limit to any individual shareholder, as we insist for our banks?

It seems obvious to me that if we wish a professional staff to follow trust relationships, it is far more realistic to keep share interests and professional decisions apart. Surely that is the lesson of Seaway, Greymac and Crown, and I am waiting to see if the Government has learned that lesson.

[*Translation*]

Mr. Jean-Guy Hudon (Parliamentary Secretary to Minister of Employment and Immigration): Mr. Speaker, the review of the regulations governing financial institutions is naturally one of this Government's priorities, as mentioned in last November's economic statement. That is why the Government has tabled an important discussion paper suggesting certain initiatives, and even though I can understand his position, I am somewhat disappointed that my colleague finds this paper not specific and detailed enough, and so on. However, it is a consultation paper. If such a document has to be perfect and contain all the answers, right from the start, it is no longer a consultation paper, but a piece of legislation.

Indeed, the very relevant comments made by the Hon. Member, and I am not saying that they are accurate, but simply that they are relevant, should be made in the context of the consultation process related to this document.

Mr. Speaker, the question at issue is the solvency of financial institutions. Apart from this, we have the recommendations of the Wyman report on the reform of the deposit insurance program, which will also be an integral part of this review, but there is much to be done in this sector, as was seen recently with the case of the Canadian Commercial Bank and the bankruptcies of some loan and deposit institutions.

Our purpose is to promote an economic renewal. Equity investment has to increase because, as we know, the major role of banks is to turn our savings into investments. Indeed, we are trying to encourage through incentives individual depositors to help turn those savings into investments. The amount of savings is ever increasing in Canadian banks. It is therefore