The Government's decision to raise rather than remove entirely the domestic asset ceiling reflects the fact that the removal of the ceiling would involve important questions of principle that should be considered in the context of a broader review of financial institution legislation including the decennial Bank Act review. At the same time, however, raising the ceiling to 16 per cent will provide the foreign bank sector with the additional room to expand and to continue serving Canadian borrowers in a manner consistent with the original intent of the Government.

In conclusion, Mr. Speaker, I would ask the House to consider the following facts. First, foreign bank subsidiaries have contributed to the introduction of more competitive banking practices, particularly by providing services to medium-sized businesses. This was the guiding principle which lay behind the 1980 Bank Act revisions. Second, the all-Party Standing Committee unanimously recommended that the domestic asset ceiling be removed completely. Third, while the Government endorses the view that foreign banks have made the Canadian banking system more competitive, the retention of a market share restriction will ensure that Canadian control of the financial system will not be gradually eroded. Finally, the Government has been responsive to the concerns of non-bank financial institutions. The review process now being conducted by my committee will assist us in ensuring that the process of legislative change is conducted in a rational and orderly manner.

It is the Government's view that Bill C-30 will enable the foreign bank sector to continue to serve Canadian borrowers and that Canadians have reason to expect to benefit from its passage. A larger foreign bank sector will make our banking sector less concentrated and should contribute to a business environment more conducive to small and medium-sized enterprises.

Mr. John Gamble (York North): Mr. Speaker, after listening to the rosy prediction just read by the Minister of State for Finance (Mr. MacLaren), it seems that there is no doubt that this Bill should pass, if we are to believe all that we have heard. I have some serious doubts about the comments that were made, however.

For instance, the Minister said that Canada's control of the banking system will not be gradually eroded. In 1980, four years ago, the maximum amount of domestic asset holdings by foreign banking institutions in Canada was 8 per cent. Four years later, it will double to 16 per cent under this Bill. Is that gradual erosion or is that rapid erosion? Did the Minister really say that Canadian control of the banking institutions in this country would not be gradually eroded but would be rapidly eroded? Is there any significance to Canadian control of the banking institutions in this country? If there is, then I think the Government might well look at what it is doing.

There are a number of things about this Bill that bother me. Indeed, in his rather lengthy written speech, the Minister made no reference to those things at all. I am troubled by the fact that the chief reasons for the amendments to the Bank Act of 1980 that was given to the House and the country was that it would permit Canadian banks to engage in activities worldwide. It was indeed a measure of reciprocity. Canadian banks were becoming international with head offices in Canada. If that is the case, where are the reciprocity clauses? We know, for instance, that Canadian banks cannot engage in banking activities in France because the French Government has nationalized the banks in France. Unless our banks wish to become nationalized, they cannot engage in banking activities in that country. Why then are French banks entitled to engage in banking activities in Canada?

I know what the Minister would say in answer to that. He would say that he heard evidence from those who appeared before the Finance Committee indicating that the emergence of foreign banking activities in Canada has created greater competition and the customers of Canadian banks have all benefited from that. I was not present at the hearings of the Standing Committee on Finance. That evidence may indeed have been offered. I do not doubt it for a moment.

However, I will say that there has been in large measure an attraction of foreign banks, carrying on activities in Canada, to the subsidiary businesses of foreign corporations that operate in Canada. Some of these corporations are large and very profitable and the banking profits that can be generated from them would be an asset to the Canadian banking institutions. By and large there has been an attraction, as I have indicated, and a siphoning off of that very profitable banking business which was formerly done exclusive by Canadian banks. It is now done by foreign banks which, through their parent operations in foreign nations, act for the parents of the Canadian subsidiary customers.

● (1830)

There is a matter which has been drawn to our attention which should be dealt with before this Bill is passed. The matter concerns an action by a foreign justice department against a Canadian bank. I am talking, of course, about the U.S. Justice Department and the bank is the Bank of Nova Scotia. Members will know that as a consequence of an investigation into organized crime, the United States Justice Department went to its Grand Jury with evidence that ultimately gave rise to the issuing of subpoenas for material which was in the hands of a U.S. branch of the Bank of Nova Scotia. That branch had been used by a customer to dispatch funds to another branch of the Bank of Nova Scotia in the Cayman Islands. The suspicion of the U.S. Department of Justice was to the effect that the funds were derived as a consequence of illegal activities in the United States and, more particularly, the offensive and horrendous drug trade activities in the U.S.

The laws of Cayman would apparently preclude the release of information which was in the hands of the Bank of Nova Scotia through its branch on the island. The U.S. Justice Department employed the tactic of pressuring the Bank of Nova Scotia, through its U.S. branch, to provide information to it which it did not have at its disposal and could only obtain through the branch in the Cayman Islands.