

workers cannot receive more than a 9.5 per cent wage increase. Indeed the city of Winnipeg will not even agree to let a higher proposal go to the Anti-Inflation Board for a ruling. Yet the banks had an increase in profits during the last quarter of 35 per cent over the same period in 1974, and this is within the guidelines set by the Anti-Inflation Board. I am therefore not surprised that we have an application from a group that wants to establish a new bank. I am only surprised that we do not have more applications. Why should not a group of well to do citizens in Canada want to get in on what is obviously a very lucrative kind of enterprise?

The question we have to ask ourselves is not whether this is good business for this particular group of directors and shareholders of IAC. Unlike the hon. member for York Centre (Mr. Kaplan) who has just spoken, who obviously follows the precept of the famous—or rather infamous—Charlie Wilson of the United States, who on one occasion said that what is good for General Motors is good for the country, we believe that what is good for IAC is not necessarily good for the people of Canada. We want to know what the benefits will be to the people of Canada from this new bank before we approve its establishment.

Similarly I should like to believe that the owners of IAC will at least have to live by the same rules and laws as all other banks, in accordance with the Bank Act. I see no reason to hurry this, Mr. Speaker. I do not believe that the people of Canada will be at all harmed if this matter stands over. If the directors and shareholders of IAC cannot qualify as a bank under the present regulations set out in the Bank Act, then I think representations should be made on their behalf when the Bank Act undergoes its regular revision which takes place every ten years, and which I think is due in 1977.

As I say, I do not believe there will be much harm done to the ordinary people of this country if IAC has to wait until 1977 when perhaps its directors will be able to persuade—and they may be right—the majority of the members of this parliament that the Bank Act as we know it at present should be revised so that IAC, a financial corporation, is able under the regular standard provisions of the act to change its organization and become the Continental Bank, a bank that will need no special consideration or exemptions from the parliament of Canada.

● (1740)

I cannot accept the suggestion by the hon. member for York Centre that we ought to pass a bill which was designed substantially to meet the needs, not of the people of Canada, but of the shareholders and the directors of IAC.

The purpose of this bill is to establish a new bank which will be able to take all the assets and operations of IAC Limited, with some exceptions, and operate them as a bank. One of the problems which IAC is currently having is that, because it is not a bank, the leverage on its money, the multiple of its assets that it can loan out to customers, or more simply, the number of times it can turn over its money in the form of loans and mortgages, is much lower than that of the chartered banks.

Normally trust companies, according to the testimony before the Commons finance committee, achieve a leverage

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ratio of about 6 to 1. IAC, because it is the largest Canadian controlled finance company, with huge assets and a reputation for careful management, has been able to achieve a leverage ratio of some 7 to 1 on its money. This is considered high for such financial institutions, but it is much lower than the chartered banks achieve: they are in the range of 25-35 to 1. This is because of the prestige involved in the status of chartered banks, and also because the chartered banks are more closely watched and more closely regulated by the Bank Act than are some other financial institutions. So there is a lot of money involved, all other things being equal, in being a chartered bank.

Basically, then, IAC has grown as big as it is likely to get unless it is allowed to convert itself into a bank. In recent years, since the Bank Act revisions of 1967, the banks have been growing faster than other types of financial institutions. Figures prepared by Statistics Canada indicate that the banks have outstripped all other financial institutions in terms of asset growth and consumer loans.

Looking at the annual average growth rates for the years between 1964 and 1974 we see that the chartered banks showed an annual growth rate of 17.5 per cent; credit unions, 17.3 per cent; trust companies, 15.9 per cent; mortgage loan companies, 13.6 per cent; trustee pension funds, 12.4 per cent; fire and casualty companies, 11.2 per cent; sales finance and consumer loan companies, 10.9 per cent; and life insurance companies, 8.2 per cent.

In an area of particular significance to IAC—consumer credit—the growth of the banks has been even greater. This is illustrated by the figures for the years between 1964 and 1974 where the percentage increase has been as follows: chartered banks, 19.8 per cent; credit unions, 14.6 per cent; retail dealers, 7 per cent; sales finance and consumer loan companies, 4.5 per cent. In other words the banks had an average annual growth of almost twice as much as the average for all business institutions. It is no wonder the directors of IAC would like to convert that corporation into a bank.

One of the advantages the banks have is that they are deposit-taking institutions. They can bring in money at relatively small interest rates and loan it out at an interest rate that brings them in a steady profit but is lower than that of the other types of financial institutions such as IAC, which has to get its money through notes and debentures at a higher cost than that of the banks. IAC, in other words, has to borrow its money, sometimes from the chartered banks themselves, and loan it out at a higher rate, and the spread on the rates is its source of profit.

The banks, paying relatively low interest rates on deposits and no interest on a great deal of the money that comes in in the form of deposits, have a secure and steady source of low cost money that is not available to IAC. As I said earlier, it is no wonder that IAC would like to get into the act. As one of the officers of the bank replied in the Finance Committee a few weeks ago, "We want to play in the major leagues". There is no doubt that moving into the major leagues would be immensely profitable for IAC and its shareholders. That is enough reason for them to approve the bid to convert into a bank. But shareholders' profit is not a reason that should be so compelling to parliament. In order for parliament to pass this bill it should satisfy itself