

*Bank Act*

legislation. Mr. Speaker, certain amendments are proposed to the Bank of Canada Act. These will, for the most part, update the act, and make the consequential changes required by the new Canadian Payments Association Act.

Mr. Speaker, I would like now to deal with the Canadian Payments Association Act. Arising out of the growing importance of the near bank deposit-accepting institutions, and changes in the way Canadians may make payments as a result of increasing use of the computer, this bill introduces a totally new act, the Canadian Payments Association Act. At the present time, the cheque-clearing system is the responsibility of the Canadian Bankers' Association. The banks, however, make this facility available for the clearing of cheques drawn on near-banks. The proposed association will provide a framework for the direct participation of the near banks in the operation and planning of Canada's payments system. This represents an important advantage to the near banks and will help ensure their continuing ability to compete in the offering of financial services as the system continues to evolve.

The association will be run by its members. They will be grouped according to their institutional character for the purpose of voting. No single group will be able to control the association. To ensure that the broad public interest will not be neglected, the bylaws of the association will be subject to approval by governor in council. The chairman of the board will be appointed by the Bank of Canada, and the Inspector General of Banks will report annually to the minister on whether or not the association is operating in conformity with the act and its bylaws.

While the proposals has been generally welcomed, certain aspects of it were criticized by the provincial governments and the near banks. One particular concern was that the federal government would use the association as a vehicle to regulate provincially-chartered near-banks. That, of course, has not been the intention. It has been decided that membership in the association should be voluntary except for the banks which are still the most significant financial institutions in the payments system. We continue to believe it is important to have as members of the association all the major institutions accepting transferable deposits. The members of the association will have certain obligations. They will be expected to co-operate in the effective running of the system and to bear their share of the operating costs. The chartered banks will continue to be required to hold cash and secondary reserves under the Bank Act, but it has not been thought necessary at this time to extend this requirement to the near banks. Settlement balances for these members will be a matter for the by-laws of the association. Finally, to ensure financial stability, every CPA member other than the Bank of Canada will be required either to belong to the Canada Deposit Insurance Corporation, have its deposits insured under a provincial enactment that also provides for the inspection of financial institutions, or belong to the Canadian Co-operative Credit Society and hold a valid

certificate under the Co-operative Credit Associations Act. This new act significantly changes the institutional framework within which our payments system will evolve. As I have noted, it is an important initiative in helping to ensure a continuing strong competitive position for deposit-accepting near-banks.

I would like to say a few words about regulations. In a number of instances in this bill it has been found necessary to provide for regulations. This reflects, in part, a more complex and diversified banking system and, consequently, the need to provide flexibility to respond to future developments. The government has sought to keep the power to issue regulations to a minimum, and is also proposing that it be mandatory for new regulations and changes to old ones to be published in *The Canada Gazette* at least 60 days before the regulations are to come into effect. This will ensure that interested parties have an opportunity to seek changes in the regulations before they come into effect.

Regulations on the calculation and disclosure of the cost of borrowing and charges and rates of interest on deposit accounts are being proposed. Their form has been influenced by consultations with the provinces. Because these consultations are continuing, I have made a commitment to the provinces to provide sufficient flexibility in the Bank Act to permit subsequent modifications of the regulations if the provinces and the federal government together agree to adopt common standards in this area. In conclusion, Mr. Speaker, I recall that since 1967, when the last Bank Act was passed, the financial institutions and capital markets in Canada have undergone considerable growth and change. This says a great deal for the flexibility of the present legislation and regulatory framework, but it now requires early modification not only to reflect the underlying real changes but to anticipate those which are expected, such as developments in the electronic payments system.

The process of the decennial revision has now been under-way for five and a half years. All of the interested parties have been heard many times and their briefs carefully considered by parliamentary committees, ministers and officials. The banks, the Montreal City and District Savings Bank, the caisses populaires and the credit unions, as well as other financial institutions, want the new bill passed and the uncertainty removed.

Sound, efficient and well-functioning financial institutions and markets are necessary for the smooth operation and growth of our modern industrial economy. It is our responsibility to provide the legal framework within which the financial institutions can operate successfully, and through consideration of Bill C-6 on second reading, it is the enormous task the members of this Parliament are called upon to perform.