

Bank Act

That Bill C-6, an act to revise the Bank Act, to amend the Quebec Savings Banks Act and the Bank of Canada Act, to establish the Canadian Payments Association and to amend other acts in consequence thereof, be amended in clause 2 by striking out line 36 at page 101 and substituting the following therefor:

"exceeds two per cent of the issued and".

He said: Mr. Speaker, the purpose of motions Nos. 14, 15 and 18 follows from the amendments which have already been put forward. They require a wider degree of dispersal of the shares of our banking institutions. The first motion deals with the peculiar position occupied by the Mercantile Bank of Canada. The other motions provide for a wider dispersal of shares so that no one relatively small group of people, whether they be individuals or companies, can exercise control over one of our chartered banks.

The first motion deals with section 110 of the Bank Act which currently provides a limit on shares held by non-residents, which reads:

A bank shall refuse to register in the securities register of the bank a transfer of any share of a class of shares of the bank to a non-resident

(a) if, when the total number of shares of that class of shares held by non-residents exceeds 25 per cent of the total number of issued and outstanding shares of that class, the transfer would increase the percentage of such shares held by non-residents;

That section is designed to give a particular advantage to one bank in Canada. Our concern in this regard has been on record ever since the deal was sanctified by a previous Liberal government. It deals with the fact that Citicorp Bank of the United States is in a position where in effect it is allowed under the Bank Act basically to control at least two banks. It will continue to control the Mercantile Bank by virtue of this section, and by virtue of the section on foreign subsidiaries it would be allowed to create yet another bank which it will also directly control.

I will not go into debate on foreign banks at the present time because this topic will be discussed when the appropriate amendments are before us. However, I think it is worth pointing out something which has not really been considered by the government, that it is possible, according to most analysts of corporate affairs, for a relatively small concentration of people effectively to control the corporate activities of a company, be it a financial institution or another corporation.

It is worthwhile reiterating the fact, while the Canadian public and the Canadian government are mesmerized by this concept of ownership, that the question of ownership, as it is generally recognized by most people who are attempting to understand our economy, is much less important than the question of control. Ever since economists, social critics and others began analysing the nature of our corporate system and our corporations, and the power which accrues to people who are at the pinnacle of a corporation, they have recognized that the illusion of the sovereignty of the shareholder is just that, an illusion.

The theory that, for example, in the general provision of the act a shareholder may not hold more than 10 per cent of the shares will limit a group from effectively controlling banks, is in fact not the case. Even with only 10 per cent of the shares,

provided they are controlled and provided that control is exercised in a concentrated and direct manner, that can be sufficient to gain control of a corporation, for the very simple reason that so many shareholders are purely passive in their relationship to the company. Those shareholders who chose to take a more active role by virtue of ownership of over 7 per cent or 8 per cent of the shares can and do, in fact, control corporations.

Simply to argue that 10 per cent provides for a sufficient dispersal of shares, in our view does not take sufficient account of the realities of the economic world. It is for that reason that we have argued that the dispersal requirements be changed from 10 per cent to 2 per cent and that in the case of nonresidents the requirement be changed from 25 per cent to 5 per cent. In our view, such a change would provide for a partial recognition at least of the principle that the dispersal of bank shares must be widespread.

● (1650)

We cannot allow small groups of people to exercise unilateral control over these corporations. In the last round of debate, we emphasized the problem caused by the banks exercising their economic control by virtue of their position as lenders. We took the example of Massey-Ferguson—and there are others—where the triumph of financial capital over industrial capital led to the dilemmas facing that particular company. This is something that must be carefully analysed in our attempt to understand the way in which the system works in Canada.

We are now considering another phenomenon and another problem, that is, the relative ease with which a small group of people can exercise control over our banks. The Mercantile Bank is in the privileged position of being allowed to own not just one bank in Canada, but two. In our view it is not in the interests of this country to have one of the largest foreign banks in the world in a sense occupying a special and peculiar place in our banking system.

To sum up, Mr. Speaker, in the last debate we considered the problems caused by the ability of the banks to control the people to whom they lend and how they can do this to benefit the larger companies which happen to satisfy their criteria for loans. In the particular instance we are dealing with, the reverse is the problem in a sense but it is just as serious, that is, concentration of ownership which in turn leads to concentration of control and the fact that the government has to recognize this problem by calling for a widening of the dispersal of shares.

Hon. Marcel Lambert (Edmonton West): Mr. Speaker, I do not have much to say on this motion. I do not find anything particularly objectionable in having a continuation of clause 110, set out on page 98 of the bill, arising out of the whole rationalization of the situation as it was at the time of the Mercantile Bank affair.

If hon. members are not aware of the case, originally this was an entirely foreign company, established by Dutch inter-