

*Bank Act*

they are potentially accessible to people in other countries. Thus, there is some well-founded concern regarding that phase of technology in our banking industry.

• (1510)

What concerns me is that pragmatism is applied not only to technology in banking but can easily be applied to the activities of banking personnel having nothing to do with technology. As a renaissance writer put it, a new philosophy calls all in doubt, whereas there was a time in banking circles when the personnel or the management of banks were controlled by a concept, an overriding understanding that there are certain things you just do not do. That concept has quickly eroded in the last decade or two. We are now into an era of pragmatism where in the minds of some people you do what is successful and what you can get away with. It does not necessarily always have to do with legality.

When that kind of a concept becomes the philosophy of any individual staff member in any bank, then the consumer becomes vulnerable. He is at jeopardy. It is possible for internal fraud to take place within the banking system of which the senior banking management may be totally unaware. I am sure in cases like this that the boards of the banks, the senior levels of management of the banks, would not be committed to all kinds of pervasive attitudes of pragmatism in the banking business. Once any individual official can be guided by the concept that he can do what he can get away with, particularly if that catapults him into the level of a successful executive, then the consumer is vulnerable.

I am concerned about the present Bank Act and the powers of the Inspector General. I am sure the consumer, the borrowing public, naturally expects, with a title like Inspector General, that there is a certain level of protection for the consumer. Therefore, when a consumer goes to the bank to carry out a transaction, if something fraudulent should happen in that bank the consumer will have the Inspector General on his side and an investigation will take place and the wrong righted.

Under the present Bank Act I think that is an illusion. In fact, I think it is a delusion. In Section 246, Clause 1 of the Bill, Subsection (2), we find the following words concerning in the Inspector General:

The Inspector, from time to time . . . for the purposes of satisfying himself that the provisions of this Act having reference to the safety of the interests of the depositors, creditors, and shareholders of the Bank and other provisions of this Act are being duly observed and that the Bank is in sound financial condition, and at the conclusion of each examination and inquiry shall report thereon to the Minister.

The first obligation of the Inspector General is to make sure that everything taking place within a banking operation is going to maintain the solvency of the bank. That is not unimportant. Every investor or depositor who has an account in a bank will be happy to know that somebody has the authority to make sure that the deposits are secure. That is a very important function for the Inspector General. In the context I am addressing, I think that is not taking place. The present Act goes on to read:

The Minister, whenever he has reason to believe that an offence against this Act has been or is about to be committed by a bank, or by any director, officer, or an employee of a Bank, shall direct the Inspector to make such examination and inquiry as the Inspector deems necessary for the purpose of determining the facts—

That is basically where it starts—"for the purpose of determining the facts." That is a dead-end. That takes you nowhere. Let me add parenthetically that my Bill is addressing the banks and the Inspector General of Banks. There has been enough information in the news the past weeks and months regarding trust companies, particularly in the Province of Ontario, to give us pause for concern regarding the activities being carried on within trust companies. I would simply like to say that whatever I have submitted in this amendment to the Bank Act I think ought to apply also to trust companies. Trust companies ought to be open for examination. However, it is important to note that the Inspector General is incredibly limited in the conduct of his affairs.

I want to illustrate the dilemma. I have here a letter directed to a constituent, not one of mine, dated some time ago but within the life of this Parliament. It reads:

Further to my letter of May 5, I have now been advised by the—bank that an investigation has been made and that a blanket release of all of the securities in question has been offered and that they are now available for delivery upon request.

That letter deals with what would have appeared at the time to be an attempted fraud. I think there was a fair amount of evidence to indicate at that time that there was attempted fraud in this particular case. Notice what the Inspector General said—that he had now been advised by the bank in question that an investigation had been made.

Here was a case where there was enough suspicion that fraud was attempted and probably would have been carried out had there not been a storm of protest. There was enough suspicion that very likely a criminal investigation should have been conducted. But what we have is the Inspector General saying that he was acting, in fact, as a messenger boy on behalf of the bank. The bank itself is carrying on an investigation and is reporting to the Inspector General. That is not good enough. I think the banks themselves should welcome an avenue that would allow them to clear themselves. As long as they are carrying on their own investigations, they can always be held suspect of carrying on a whitewash.

It seems to me that the banks should consider this a friendly amendment. If this amendment should be passed, there would be a mechanism structured outside of the banks that would carry on independent investigations. If there is fraudulent activity, charges can be laid. If the banks carry on their own investigations, there continues to be lingering public doubt because of possible whitewashing. Therefore, no real purpose is served. It appears to me that in the banks' own interest this should be considered a friendly amendment.

• (1520)

Even more important, it seems to me that the consumer needs that kind of ultimate protection. If there is an attempt at consumer fraud by a local car dealer, General Motors, or a