

*Financial Institutions*

The insurance companies have assured us that the way that they deal with this problem is, quite simply, by not allowing conflicts of interest to take place. Therefore, they do not allow companies to which they lend money to also do business in terms of having insurance coverage with the same insurance company.

The corollary for the banks would be that if a bank is involved in lending to a particular company, its securities subsidiary should not be involved in underwriting, in promoting the shares, or in any other way dealing with the securities of that particular company. That, it seems to me, is a true Chinese wall. But, a situation wherein one group of employees is meant not to know what another group of employees is doing, is, it seems to me, weak and subject to abuse.

Suppose, for example, that Dome Petroleum was going through its current travail at a time when the banks had the authority to do underwriting through securities subsidiaries. In that circumstance, would a bank not have some temptation to have its securities subsidiary engage in underwriting because the bank was feeling hopelessly exposed because of the lending that it had made to Dome, realizing that that lending was in fact not prudent? That is the kind of conflict of interest with which the Minister has not yet dealt.

I recognize that the Bill which has been tabled today by the Minister with respect to the ownership of financial institutions allows retroactivity; but these other questions have in fact not yet been addressed.

I wish to comment on a couple of other issues which concern me in this whole area of the financial package. One is the question of the deregulation of financial dealings internationally and the reaction we are seeing here in Canada.

Canada is one of the G-7—but only just; we are one of the seven largest industrial countries, but only just. We have an active and efficient capital market—more active and more efficient than a number of the other major western European countries. As well, we have a banking system which also is quite efficient compared, let us say, to the American system, where it is much harder to clear cheques and to make the payments system work.

In our securities industry, however, we have 10 securities authorities. Now we have 11, because the Superintendent of Financial Institutions has taken on certain responsibilities.

The Minister and the Government have entered into some agreements with Ontario which have provoked, quite rightly, concern and upset in the other provinces, which feel that the federal Government deals only with Ontario and does not realize that there are other securities bodies across the country. However, when we deal internationally we will be talking with the authorities of other countries, not with one voice but with 10 or 11 voices. That is a very serious concern.

• (1140)

It is my view that in addition we impose unnecessary restrictions and problems on Canadian corporations and companies which must have securities vetted, reviewed, and approved, not by only one securities agency but by many, at the very least by the Ontario Securities Commission and probably by the Quebec, Alberta, and British Columbia securities commissions. Theoretically they could require the approval of new securities by 10 agencies across the country. That kind of situation occurs in certain areas of the United States as well. It is not defensible there, and it is not defensible here.

I believe that a national securities agency should be a priority of the Government of Canada. I also believe that such a securities agency should in fact be able to provide—and there must be some co-operation with the provinces—one-stop approval of new securities issues and underwritings for companies which consider themselves to be national, or for companies which expect that their securities will be traded not only in Canada but also in other countries.

I have no objection to there continuing to be securities regulation at the provincial level so that if a company in British Columbia, Prince Edward Island, or northern Ontario wishes to have its securities traded only in one jurisdiction, or possibly in a couple, it needs to meet only the requirements of the particular jurisdiction, not what might be more stringent requirements of a national securities body. However, I would expect that Bell Canada, Northern Telecom, Imperial Oil, and other such organizations would generally get their securities approved at the national level, and I think that is how it should be.

This is not a move of excessive centralization. As the Hon. Member for Trinity pointed out, every other major country has a national securities agency, and Canada is very much out of step in not having one. We need to look at it very seriously.

I am concerned as well in terms of the interests of regulators and of investors. Why is it that Canadian investors, financial journalists, of which I used to be one, and the public at large can learn more about many companies by going to the Securities and Exchange Commission and looking at the K-10 documents, the file documents which are issued on a regular basis, than they can get from our securities commissions and other agencies in Canada? I think that is ludicrous. The standard of disclosure is not adequate in Canada. It could be made more adequate, particularly for national companies, if we had a national securities agency.

The whole question of how federal and provincial supervision will work in a deregulated environment is still not adequately addressed. I would cite with concern the inadequacy of the federal and Ontario supervision which preceded the collapse of Greymac, Seaway, and Crown Trust in Ontario. It was a situation where the two levels of Government were saying, "After you, Alphonse" and effectively letting those agencies go by the board.