

Bank Act

● (1642)

The government has had ample time in order to do this. It is aware of the fact that the Bank Act has to be revised every ten years. Certainly this should have been prepared by now.

The document entitled "Highlights of the White Paper on Canadian Banking Legislation", dated August, 1976, reads as follows:

The federal government's white paper on banking issued today proposes significant legislative changes designed to encourage more competition in Canada's financial system.

Let us move toward revising the Bank Act in order to have this competition.

The document continues:

The white paper proposes to establish a new national framework for Canada's chequing system. It would permit foreign bank subsidiaries to operate within Canadian banking legislation, as a new dimension in competition.

Steps outlined in the white paper will help facilitate the establishment of new Canadian domestic banks. A number of changes are also proposed in the powers of the chartered banks, in order to promote stronger competition within a framework of Canadian regulatory control and predominantly Canadian ownership.

The white paper follows an extended period of study by federal authorities, during which financial institutions and other groups made representations to the government.

This was 2½ years ago. Yet we are still faced with delays and stalling tactics.

It continues:

The paper provides a further opportunity for public discussion before conclusion of the current decennial review of the Bank Act and other banking legislation.

Well, discussions have taken place. The banks and the credit unions did their homework and presented briefs approximately two years ago. The government is causing the delays. Everyone is co-operating with the government. It is time for the government to reciprocate by taking a look at the Bank Act.

The document continues:

The review is occasioned by the fact that the Bank Act confers powers on Canada's ten chartered banks for a ten-year period only.

The ten years are up.

It continues:

The last review was concluded in 1967; parliament will be required to act before the next scheduled expiry of these powers on June 30, 1977.

At this point we are well into 1978. The government has identified all the problems. It has made excellent suggestions in its white paper. It has run into very little opposition.

In the same document under the heading "A Canadian Payments Association", it reads as follows:

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The white paper points to growing inequities and fragmentation within the payments function, which lies at the heart of our financial system. This function is exercised principally by the chequing system, under which deposits are transferred by cheque or similar orders to settle financial obligations. Near banks, which include trust and mortgage loan companies, caisses populaires and credit unions largely outside federal regulation, play an important role in effecting payments. But they have only indirect access to the clearing system for cheques, and do not enjoy a full voice or full rights in its operations, with the result that they are not fully subject to all its obligations.

[Mr. McKenzie.]

The white paper proposes to bring all institutions offering chequing facilities into a new Canadian Payments Association to replace the present clearing system operated by the chartered banks. Members will share the same rights and obligations. They will obtain credit facilities from the Bank of Canada and will be required to maintain minimum reserves with the central bank.

Most of the credit unions are quite prepared to do this, but they want a copy of the Bank Act in order to read the fine print and details. This is causing them concern in their operations.

The document continues:

The reserve requirements: on Canadian dollar notice deposits, and term deposits with an original term to maturity of one year or less, or longer if encashable (includes most reservable deposits of near banks)—2 per cent on the first \$500 million; 4 per cent on the remainder. On Canadian dollar demand deposits (mainly banks)—12 per cent as at present. On foreign currency deposits used domestically—4 per cent.

There are quite a few foreign banks operating illegally in Canada today.

Under the section headed "Foreign Banks", the document reads as follows:

Canadian law does not permit foreign banks to operate as banks in Canada, but they have established many affiliated corporations here as active lenders to business and as borrowers in the money market. Many of their operations are not subject to regulation. They enjoy some special advantages and have captured a significant share of commercial lending activities, including some areas where direct participation by Canadian banks is prohibited under the Bank Act.

Foreign banks can bring additional competition and innovation to bear in Canadian banking. With their world-wide connections, they can help develop Canadian resources, industries and trade. However, there should be a legislative basis for regulating their operations in Canada to ensure equitable and effective competition and that Canada's banking system remains predominantly in Canadian hands.

We do not know whether this will happen or not. Everyone is patiently awaiting consideration of the Bank Act, which has been delayed again and again.

The document continues:

The paper therefore proposes to allow foreign bank subsidiaries to operate in Canada as banks, incorporated with full powers under the Bank Act. However, government policy will be to limit their growth and size individually and their combined operations to 15 per cent of commercial lending in Canada, these limits being subject to review. They will be permitted a maximum of five branches; a minimum of one half of their directors will have to be Canadian citizens.

We do not know how foreign banks operate today. Perhaps those banks would like to know whether they are operating legally.

It continues:

Limits on the size of any foreign bank subsidiary will be removed if it opts to "Canadianize" by selling shareholdings in excess of 10 per cent to Canadians.

Canada will expect reciprocal recognition for its banks in the jurisdiction of the parent bank. The government does not propose to permit the establishment in Canada of branches or agencies of foreign banks. Foreign bank representative offices will be registered.

Non-bank subsidiaries of foreign banks in Canada will be required to file reports on their activities. Unless specifically authorized, such affiliates will be denied the right to borrow in the Canadian market with the guarantee of their foreign parents.

I should like to refer briefly to the representations made by the Co-operative Credit Society of Manitoba, Limited. As I pointed out on January 23, 1978, the credit unions and caisses