

I did not have a chance to tell him this before we began but, of course, rather than present the brief verbatim, if it is lengthy I would ask him to attempt to summarize his major points for us, following which we will have a period of questioning and discussion, first on the points he has presented to us through his brief and finally, if time permits, any other points the members wish to raise. Mr. Lafferty, please.

Mr. R. D. G. LAFFERTY (*Lafferty, Harwood & Co.*): Thank you very much, Mr. Chairman.

Mr. Chairman and gentlemen of the Committee, we have prepared our brief in the belief that the wealth of this nation is being progressively dissipated by a banking system that exploits rather than creates. This condition results from a highly concentrated monolithic structure with interlocking interests which employs restrictive practices and prevents new initiative and enterprise from challenging the dominant position. These restrictive influences extend into industry, to interlocking interests, to cartelized trusts similar to George Weston, Argus Corporation, Power Corporation and certain large influential pension plans. The dominant position of Canadian banks in the financial community restricts the healthy growth and development of Canadian capital markets.

It is our understanding that in the United States the banks were forbidden from engaging in corporate underwritings many years ago because of the undue influence it gave the banks to those needing money and those financial institutions which are necessarily dependent on a flow of new investments. The major part of this underwriting operation in Canada takes place without competition or syndicate bidding participation. It was only open to those members of what might be termed "the financial ring". This atmosphere, in turn, breeds in the stock exchanges an environment which is more like Tammany Hall than that of a well administered free enterprise exchange market.

At the same time, the provincial governments cannot exercise their jurisdiction to properly legislate security regulations when the banks play such a major role in the community and are protected by federal legislation. As a result of this combined power, the financial press and those acting as investment research analysts cannot express an independent view, if this reflects on the system, without fear of economic reprisal. As a result, the consumer and investor is deprived of an alternate viewpoint, and through this deprivation is exploited. The management of the chartered banks in Canada have continuously failed to respect the rights of the shareholder in their financial reporting and have in many instances deliberately misrepresented the position under the guise that they were acting in the best interests of the public. The banks have assiduously maintained a protective barrier of hidden reserves in which adjustments can be made only on an annual basis and as a means to prevent the shareholders and the market place from judging the comparative competence of their management and operations. They have conducted themselves in total disregard of their fiduciary responsibilities that are inherent to their occupation. They are a law unto themselves in the marketplace, immune from the normal principles of anti-trust and anti-combine legislation.

As taxpayers we are now spending millions of dollars to educate young Canadians in a business environment where initiative, energy, enterprise and intellectual honesty are penalized because they challenge the dominant struc-