

*Government Orders*

Again, because of the lack of any updated legislation, little has been done even in terms of talking about this publicly. I must say that the may difference between the trust and loan companies is that the former, in addition to their financial intermediary role, act as administrators of estates and trusts and as agents on behalf of customers in the management of their financial affairs. The estate, trust and agency business of trust companies however being a matter of property and civil rights is regulated by the provinces.

Bill C-83 is the first of a series of proposed statutes designed to reform the regulation of federally incorporated financial institutions. Perhaps it is worth making a note here, as this debate begins on this most important piece of legislation, that the regulation of financial institutions is a shared federal-provincial responsibility in the country. The federal government has exclusive jurisdiction over banks, while the provinces have exclusive jurisdiction to regulate security firms. Trust, mortgage, loan and insurance companies are regulated by both provincial and federal regulators.

• (1220)

It has been somewhat embarrassing to the government. While it has been dilly-dallying and not proceeding to deal with the changing world of financial institutions, its provincial counterparts have in fact been moving. Some of them, particularly the province of Quebec, have moved very expeditiously to loosen up the four pillars, in a sense undermining any leadership the federal government might have provided, because they have waited so long. Now it is really a catch-up business to bring federal regulators, federal legislation and so on up to speed with what has already happened in many of the provinces.

There are a number of purposes in Bill C-83. One is to benefit consumers by increasing competition and the variety of services offered by financial institutions. I think we have an obvious mixed purpose here benefiting consumers by increased competition. It is fair to say that in reality, when we look at how this has been operating in the United States and in other sectors, this increased competition just does not occur. It will occur momentarily, perhaps for a short period of time in certain sectors of the financial community, but by and large the large

operators, particularly those that are multinationally based, will eventually take precedence.

The variety of services offered will be a reality. Now trust and loan companies will be able to offer more services. Banks will offer more services. Brokerage houses will be offering more services. Insurance companies will broaden their base. Indeed there will be a broadening of services.

However, this raises a whole set of other concerns. Mr. Speaker, you probably remember the debates and the discussions when this was first being studied by the finance committee some years ago, the whole matter of arm's length operations and the need to have almost increased regulation when the various pillars are allowed to diversify their operations. After all, it is going to be very tempting to a bank operation to sort of be a one-stop shopping centre and, rather than encourage competition, to lay out a whole package—the mortgage, the insurance, and so on down the line—all in this one set of offices along a corridor.

Whether that increases competition is open to some question. As a matter of fact, if one were to be cynical I suppose one could even make the case that that would allow for manipulation against competition to take advantage of the naive customer or the customer who fails to understand the complexities of the financial community. However, we will wait and see and discuss more of this in committee.

This will also enhance protection for depositors and policy holders. The whole matter of policy holders is open to some question now in terms of protection for policy holders, but we will be raising this matter in committee in terms of some of the concerns we have and how this can be regulated to provide that additional protection.

The legislation will strengthen the ability of Canadian financial institutions to compete at home and abroad. It will lay the groundwork for discussion with the provinces on harmonization. Of course this harmonization aspect has to occur. I indicated earlier that the provinces got a bit of a jump on the federal government in this case by moving to take advantage, I suppose from their perspective, of changing financial times and by looking around the world. It is a bit embarrassing now for the federal government to be playing catch-up ball in this aspect, but obviously harmonization has to be a goal.