

that the banks could pay on such deposits would be less than if you did not have that 3 per cent requirement.

There was another factor. We had evidence adduced before us which showed that, for instance, at the present time the foreign currency deposits in Canada owned by residents of Canada in banks in Canada amount to about \$10.9 billion, and \$8.5 billion of those deposits are held in accounts where the individual account is of the order of \$100,000 or, in more cases, of the order of \$1 million or more, and that the owner of those accounts are money investors and speculators, and that the moment the rate which that deposit would produce to them from a Canadian bank went below what they could get in the United Kingdom, or anywhere in Europe and we were told they have facilities for the quick shifting of money from one country to the other they would move the money out. We thought that the effect of this levy of the 3 per cent cash reserve of foreign currency was simply to have the depositors and owners of that money move it out of the country.

The only suggestion that was made to us, when the minister was before us, was, "Well, they cannot go to the United States, because they have just brought in a law there where the levy goes up to 8 per cent." The answer is that there are a lot of other places in the world where there are money markets. Secondly, the trust companies and foreign banks are operating in that field.

Then it was suggested, "We require the banks to pay a cash reserve on Canadian currency deposits. Therefore we should also require them to pay a cash reserve on foreign currency deposits in Canada owned by Canadians." I would say that in the committee it appeared obvious that there is no parallel in that situation. You have the Canadian currency deposits, and cash reserves must be provided in relation to them, but if you levy the cash reserves on foreign exchange deposits you won't have the deposits.

The evidence we had before us made it quite clear that with respect to the bulk of that those who are in the money market field would be in a position to move in and out with their money and put it where it can work and produce the greatest yield. The ones who might be affected by it would be the smaller depositors.

It is significant to note that 15.7 per cent of the aggregate value of these deposits is tied up in 191,296 separate small accounts, representing 97.3 per cent of the number of accounts, whereas the \$8.58 billion, or 84.3 per cent of the dollar total, held in accounts of over \$100,000, most of which are \$1 million or more, is held by such a small number of people who are the sophisticated ones.

I know I am taking longer than I should, but I should like to show you the growth of deposits in reserves. For instance, with respect to foreign currency, the reservable deposits at December 31, 1977, were \$85 billion. The reservable deposits at October 31, 1980, were \$127 billion. The statutory primary non-interest bearing reserves at December 31, 1977, were \$4.8 million—that is, the statutory reserves that the banks pay. The 3 per cent reserve on foreign currency deposits, that extra on

\$10.9 billion, would be roughly \$3 billion, and the \$3 billion would become reservable and non-interest bearing, and that would amount to \$90 million.

Therefore, it is difficult to accept that sophisticated money market people will maintain their foreign currency deposits in Canada, in view of the difference between what they can earn in Canada by the application of this 3 per cent cash reserve as against what they can earn in, for instance, the U.K. or some other countries. You have to look at the situation as being not Canadian currency versus some foreign currency deposits.

● (2200)

Canadian currency deposits are defined on a different basis. You cannot make a comparison because the foreign currency deposits in that large amount are just not going to be there. This is one of the problems we will have to wrestle with, and that is why I am going to propose, when I finish, that this bill go to committee and, since we have a deadline this week, that that committee meet sometime tomorrow with the minister to iron out this problem.

As you know, we have a procedure in the Senate for dealing with situations of this kind. As a matter of fact, in December 1979, in connection with the Income Tax Act, when the problem of taking an amended bill back to the House of Commons arose—that presented too many difficulties and interfered with too many procedures—we accepted an undertaking of the minister that at the next session of Parliament he would implement the objection which we took and change the provision in the law.

When Mr. Macdonald was the Minister of Finance, we had that situation; when Mr. Chrétien was the minister, we had that situation; when Mr. Turner was the minister, we had that situation; and when Mr. Benson was the Minister of Finance, we had that situation on many occasions. Even with the new tax legislation we had the situation where we just ran out of time. The ministers agreed with the principle of what should be done, but ran out of time in which to do it. Therefore, the committee decided it would accept an undertaking, and it reported the bills without amendment. Bill C-6 may require that procedure again. Whether that procedure is available, I do not know yet, but we will know sometime tomorrow. The Senate will have to determine its course of action depending on how the committee reports the bill.

Honourable senators, I have taken a little longer than I thought I should, but this about brings you up to date on the provisions of Bill C-6. I do not pretend that I have dealt with all the salient points. I have not developed the Canadian Payments Association which is replacing the clearing house and there are, contained in the bill, procedures which seem normal for an operation of that kind. There is a provision for a board of directors representing banks with the chairman being the member from the Bank of Canada and with the near-banks represented. There are also provisions as to how the near-banks operate on the clearing. Those procedures are just normal, expected procedures which appear regular and fair in their application, and if they are not, one has to rely to some