

*Government Orders*

One can therefore legitimately ask whether the government was putting our banks at a disadvantage with its original draft of the Bank Act. The new draft and the new legislation before us today restrict the applicants to foreign banks and foreign financial institutions. That includes co-operatives, trust companies, insurance companies, and security dealers.

The act goes further. It also requires that the Superintendent of Financial Institutions must satisfy himself about the adequacy of the foreign applicant. In other words, the superintendent has many questions to pose to anyone who wants to come into Canada and set up a Schedule II bank. That superintendent must find that the applicant responded to those questions satisfactorily and that the applicant will enhance financial institutions in Canada.

This new foreign bank section is the result of a compromise hammered out in the finance committee. It is not a compromise that was satisfactory to everyone. However it does express the concerns that were expressed and is a typical example of the give and take required in making workable legislation.

I know there are those who still argue that only banks should be allowed to apply for a Schedule II bank licence. They talk about the Bank of Credit and Commerce Canada and this year's scandal as a reason this whole area should be tightened up. It is a misleading example because the Bank of Credit and Commerce Canada would fit the criteria of being a bank and being regulated. It is really not an example that makes any sense whatsoever in this argument.

The Superintendent of Financial Institutions feels that this legislation we have before us today as far as the foreign applicants applying for a licence for Schedule II banks does not present a danger to the soundness of the Canadian financial institutions.

As I mentioned before, that was one of the major objectives of the members of the Liberal Party when we were studying this legislation.

A third important area I want to mention briefly here today is consumer issues. That was a main objective. We wanted to be sure that this legislation would help consumers and improve services to consumers from financial institutions. Of course, our party was extremely pleased when an amendment was passed in committee and eventually included in the bank and insurance bills as well.

Our amendment was to give customers the legal right to place complaints to financial institutions if there were charge fees they felt were extremely too high. There is going to be a mechanism there. First, they can go to the institution where they borrowed the money or whatever the fee happened to be for. If they do not get satisfaction there, they can go right to the top to the Superintendent of Financial Institutions.

In the annual report, the superintendent has to have a section on these complaints. That will have the number and types of complaints and how they have been dealt with.

As I said, we were extremely pleased that our amendment was passed in committee. We feel this will be very beneficial for consumers.

I want to mention a couple of other amendments. Another amendment we proposed last week when we were discussing this legislation in this House was an amendment dealing with the flow of information to auditors. I am happy to say that all members of the House saw fit to support this amendment. This is one which will go a long way toward helping produce better statements and will probably keep our financial institutions on a more sound basis.

It really prevents lawsuits against anyone who gives information in good faith to an auditor of a financial institution. We feel that protection is important. That information may go a long way toward providing more correct or more accurate financial statements.

In the failures of the two western banks that we had in 1985 and this year's failure of Standard Trust, the questionable accounting practices were in part blamed for these failures. In fact, the Superintendent of Financial Institutions told the finance committee last November that approved accounting practices might have made a difference in Standard Trust.

Here is what this amendment which we put forward really means. Consider an employee, for example, of a trust company who has information that he knows the auditor really needs to perform an accurate audit. The employee knows there is no way the trust company is going to give the auditor that information.

• (1540 )

Under the present circumstances he might be reluctant to come forward because he would be afraid of a lawsuit.