

*Bank Act*

and maintain proper monetary control under these circumstances? Clearly the practical problems are great. Nevertheless they must be solved. I am sure they will be solved. The day of the exclusive club is over. It must be thrown open and the winds of competition and change must be permitted to sweep through. This can be done.

• (5:10 p.m.)

It is clear from press reports and newspaper editorials that there is a great deal of misunderstanding about the provisions of the bill relating to take-overs of Canadian banks. One of the basic recommendations of the Porter commission was that action be taken to prevent foreign take-overs of Canadian financial institutions, particularly chartered banks. It is essential that control of these institutions should be retained in Canada. Moreover, to guarantee the independence of the chartered banks and to prevent undue concentration of financial power it is desirable to prevent any one corporation or group, whether Canadian or otherwise, from gaining control of a chartered bank by buying up its shares. These principles were expressed clearly in the house by the former minister of finance on September 22, 1964, when he said:

It has been evident for several years that there has been increasing concern about the problem of retaining Canadian ownership and control of Canadian enterprises and in particular of our financial institutions... The report of the royal commission on banking and finance published earlier this year also expressed concern about Canadian control of financial institutions, particularly banks... Provisions relating to this matter... will be included in the bills to amend the bank acts and these would also be effective after today to the extent that I have indicated for insurance, trust and loan companies.

These provisions were included in the original revision of the Bank Act introduced by the former minister of finance and reintroduced by the present Minister of Finance. Consistent with these principles, the bill provides in effect that if a Canadian chartered bank now has more than 25 per cent non-resident ownership, no transfers to non-residents will be permitted which will increase further the percentage of non-resident ownership. But if the percentage of non-resident ownership in a Canadian chartered bank is less than 25 per cent transfers to non-residents will be permitted unless the result would be to increase non-resident ownership to more than 25 per cent.

Moreover, these sections provide that if at the present time a Canadian chartered bank has more than 10 per cent of its shares owned

by any person or group of related persons, then no additional transfers can be made to such persons which would increase the percentage which they own. But if there is no person or group of related persons who own 10 per cent of the stock of a Canadian chartered bank, then any transfers are permitted unless they would increase the holdings of any person or group above 10 per cent.

These provisions apply generally to all chartered banks, whether Canadian or foreign owned. They are not discriminatory. They apply equally to a Canadian owned bank as well as to Mercantile. They are not retroactive. They do not require non-resident ownership of a chartered bank to be reduced to 25 per cent if it is now over 25 per cent, nor do they require ownership by a single person or group to be reduced to 10 per cent if it is now over 10 per cent. If these limits are now exceeded they can stay that way whether the bank is the Royal, the Commerce, the Nova Scotia, the Mercantile or any other. But in future no transfers will be permitted which would increase such holdings further beyond those prescribed limits. I might add that, as hon. members know, bank stock is frequently held in the names of brokers, trustees or other agents, and in the past there has been no procedure for determining the names or residence of the owners of the stock. For this reason I do not believe we know for certain what percentage of the shares of our Canadian chartered banks are now owned beneficially by non-residents or by a single person or group.

This bill contains an additional provision which limits the total liabilities of a chartered bank to not more than 20 times its authorized capital stock. This provision applies only if more than 25 per cent of its issued shares are held by any one person or related group whether resident or non-resident. If enforced rigidly this provision might prevent the profitable growth of a bank, and in the case of a small or newly incorporated bank it might be desirable to have strong interests in control for a period of time until the bank became well established and able to compete on a fair basis with the other well established Canadian chartered banks. For example, the Bank of Western Canada has been given a ten year period within which to comply with this particular provision. When they appeared before the finance committee, officials of the Mercantile Bank argued strongly that this provision would prevent any further growth