flecting these recommendations and the submissions received by the committees and the government, this bill incorporates the House committee's recommendation by removing the ceiling entirely. However, ministerial approval is retained to help ensure reciprocity and some regional distribution of the branches of foreign bank subsidiaries.

In addition, Bill C-15 proposed to disallow foreign bank subsidiaries from having interests through the parent in non-financial corporations that were not permitted to a Canadian bank. This restriction, however, would effectively disallow a number of major foreign banks, particularly from the European Economic Community, from establishing bank subsidiaries in this country, unless they were prepared to divest present holdings and avoid acquiring, directly or indirectly, any future ownership in such corporations in Canada.

Both parliamentary committees recommended longer divestiture periods than were originally proposed in Bill C-15. It is proposed that present holdings be grandfathered, that foreign bank subsidiaries be prohibited from providing banking services to affiliated non-bank related companies, and that allowance be made for future indirect investments in Canadian non-financial corporations by a foreign bank through an affiliate. These clauses provide new flexibility and safeguards not found in Bill C-15, and are needed if a number of major European banks are not to be excluded from establishing banking subsidiaries under the act.

Mr. Speaker, I would like now to review some of the proposals which are being made to change the business powers of the banks. These were originally set out in the white paper of 1976 and they have been thoroughly considered since then. Some are designed to extend existing powers to promote competition; some constrain existing powers to prevent serious conflicts of interest. Others are designed to indicate certain limits to banking powers.

The major proposals are: First, financial leasing of equipment will be permitted subject to certain regulations, but only through subsidiaries. The existing Bank Act does not provide for banks to engage directly in financial leasing. As proposed by the House committee, Bill C-6 provides that banks be allowed to engage in this activity in a subsidiary that is required to meet certain conditions specified by the House committee and be subject to regulations prescribed by governor in council. The regulations will ensure that the leases are the functional equivalent of credit by requiring that the lease be tied to specific equipment; be on a non-operating basis, that is, the bank will have no responsibility for the operation, maintenance or repair of the equipment; and the lease must be on a full pay-out basis. By allowing banks into this type of leasing it is thought that the increased competition would increase the availability and lower the cost of financial leases.

Second, banks will be allowed to engage in factoring, again only through subsidiaries.

Third, the 10 per cent ceiling which presently applies to a bank's investment in conventional residential mortgages will be retained. You may recall that Bill C-15 proposed that the current 10 per cent ceiling on a bank's holdings of conventional residential mortgages be removed. The trust companies and some of the mortgage companies voiced concern about this, and both parliamentary committees recommended the retention of a ceiling, the Senate committee recommending 15 per cent and the House committee the original 10 per cent.

• (1650)

We have decided to accept the House committee's recommendation. Any mortgage lending above that ceiling will have to be undertaken in a subsidiary working under the same rules as competing institutions.

Fourth, banks will be prevented from offering data-processing services directly or indirectly except for "banking-related" services that may be offered subject to regulations.

Fifth, banks will be specifically excluded from fiduciary activities in Canada.

Sixth, banks are precluded from having any involvement in the management of mutual funds but may act at arm's-length as agents in the sale of mutual funds. While banks are permitted to offer directly deposit-based RRSPs and RHOSPs, all other of these instruments can only be marketed on the same terms as mutual funds.

Seventh, restrictions are to be placed on the authority of banks to deal in securities. In particular, they will not be empowered to underwrite corporate security issues or to act as an agent in the direct placement of corporate securities. They will, however, be allowed to act as a member of a selling group. The basic policy aim here is to ensure that the securities industry will continue to play a major role in the capital markets.

Eighth, banks will be empowered to participate in consortium or syndicate lending where not less than one-half the total principal amount of the loan is advanced by banks, domestic and foreign.

Ninth, in general, banks will not be able to own more than 10 per cent of the voting stock of a Canadian financial corporation or of a non-financial corporation. However, we propose to make some exceptions to the general rule. These include bank service corporations, export finance corporations, mortgage loan corporations, leasing and factoring corporations, and venture capital corporations. Existing investments in excess of 10 per cent in non-financial corporations will have to be divested within a period of five years, unless a further period is approved by the minister. Excess investments in financial corporations are subject to grandfathering provisions prescribed by governor in council.