

tee studied these draft regulations and made several recommendations for amendments thereto. Redrafts of these regulations have not been issued. Further, a first draft of a number of required regulations have not been issued as yet.

Your Committee trusts that the regulations in their final form will be submitted to your Committee by the Minister before publication in the *Canada Gazette*. Section 315 of the proposed *Bank Act* contemplates the making of regulations by the Governor in Council and by the Minister and the publication thereof in the *Canada Gazette* at least 60 days before their effective date. The section further provides for a reasonable opportunity for interested persons to make representations with respect thereto.

Your Committee believes that many matters of a substantive nature are being dealt with by regulations. Thus it should be given the opportunity to assess and report upon them before they are finalized and published.

3. CONTENTS OF THE REPORT

As indicated in the preceding section your Committee in its earlier reports has dealt with a vast number of provisions of the Bill, many of which have been amended upon consideration of the evidence heard by your Committee. Others have not resulted in amendments, nor has there been any rationale for resisting amendment where amendment is clearly indicated. Two situations bear repeating as illustrations of unexplained lack of reaction to a situation which clearly calls for change.

- (a) Ownership of Banks' shares by Provincial Governments.
- (b) Extension of exemption from "Section 88" Security to Agricultural Products.

This report reviews your Committee's previous recommendations in the above matters, but in the interests of expediting the passage of the new *Bank Act*, no recommendations are made in connection with them at this time.

This report also summarizes your Committee's opinion concerning the two following amendments to the legislation proposed by the Minister. However, also in view of time constraints arising from the desire and willingness of your Committee to avoid any delay in the passage of this banking legislation, your Committee does not make specific recommendations for further amendments concerning the following two matters:

- (c) Elimination of a charge or penalty for prepayment of individual loans.

While not making a specific recommendation for amendment at this particular time concerning the provisions in Bill C-6 for the limitation or elimination of a penalty charge for prepayment of individual loans, this report does contain your Committee's comments on this aspect of the proposed legislation.

- (d) Financial Leasing of Motor Vehicles

Because your Committee approves of the amendments moved in the House of Commons by the Minister of State

(Finance), the Honourable Pierre Bussières, on November 7, 1980, which was based on your Committee's assessment of the problems involved by the previous amendment included in Bill C-6 as amended and reported on October 6, 1980, by the Standing Committee on Finance, Trade and Economic Affairs, your Committee has no further recommendation to make in this matter at this time.

(e) Reserves on Foreign Currency Deposits

The only recommendation which your Committee makes in this report is that the proposal that banks be required to maintain reserves on foreign currency deposits of Canadian residents with branches of a bank in Canada or with offices in Canada of subsidiaries of a bank (Subclauses 208(1)(g) and 208(7) of Bill C-6) be eliminated.

Your Committee's views, as outlined in this report, are that these proposed reserves are not in the interests of the Canadian public.

Your Committee's recommendation in this connection is as follows:

RECOMMENDATION:

YOUR COMMITTEE RECOMMENDS THAT A BANK NOT BE REQUIRED TO MAINTAIN EITHER A PRIMARY OR SECONDARY RESERVE ON SUCH OF ITS DEPOSIT LIABILITIES AS ARE FOREIGN CURRENCY DEPOSITS OF RESIDENTS OF CANADA WITH BRANCHES OF THE BANK IN CANADA OR WITH OFFICES IN CANADA OF SUBSIDIARIES OF THE BANK, AS PROPOSED BY BILL C-6 IN SUB-SECTION 208 (1)(g) OF THE PROPOSED NEW BANK ACT, THAT BILL C-6 BE AMENDED AS FOLLOWS:

CLAUSE 2:

STRIKE OUT LINES 35 TO 40 INCLUSIVE, ON PAGE 228, AND SUBSTITUTE THE FOLLOWING THEREFOR:

"DOLLARS".

STRIKE OUT LINES 33 TO 38 INCLUSIVE, ON PAGE 230, AND SUBSTITUTE THE FOLLOWING THEREFOR:

"ITS DEPOSIT LIABILITIES AS ARE CANADIAN CURRENCY DEPOSIT LIABILITIES."

The reasons for the above recommendation by your committee are presented later in this report.

4. OWNERSHIP OF BANKS' SHARES BY PROVINCIAL GOVERNMENTS

The present Bill and its predecessor Bills proposed that the prohibition under the existing legislation with respect to the ownership of the capital stock in chartered banks by Governments be removed and that Provincial Governments be allowed to hold and vote capital stock of Chartered Banks up to 25% of the shares of a new Bank with such shareholdings being reduced to 10% within ten years. Your Committee has rejected this proposed amendment from the stage of the White Paper,