

Bank Act

The second reason given by the parliamentary secretary is the extent and complexity of the task of converting the principles of the white paper into legislation. I am sure the banking community would like to know where they stand regarding the submissions which they made at the request of the government. The request was made for some input respecting the new rules that will be affecting banks in the near future. The legislation is nearing completion and the bill will soon be ready for introduction. At least, that is what we were told today when the hon. member for Edmonton West (Mr. Lambert) asked what was likely to be happening with the legislation. There have been ample opportunities for the government to have it ready. The words of the minister today merely repeated the statement which the parliamentary secretary made in his speech over a month ago. One would wonder if there is any faith in the system as exhibited by the government.

Again at page 2118 of *Hansard*, referring to the earlier amendment, the parliamentary secretary said:

That wording provides flexibility and acts as a safeguard in the event that parliament is not sitting at the end of March, 1979—

I believe I covered that when I said there was a possibility that this bill might not be passed until late in the fall of next year.

That is enough about the performance of the government. We should now turn to the performance of the banks to see what kind of consideration they deserve. The banks are often painted as ogres or worse by some members of this House. Management of Canadian banks is responsible in the performance of its duties. Everybody is not happy with the performance of the banks, just as everybody is not happy with the performance of politicians. There are split responsibilities. The management of Canada's banks has responsibility to its depositors. They must safeguard the millions of dollars belonging to Canadians on deposit in the banks. They are also responsible to the countless thousands of Canadians who own equity in the banks.

I do not have the number of shareholders at hand and I do not know whether that information has been given in this debate. However, I do remember when the International Nickel Company was the subject of debate in this House that the number of shareholders in Canada in that company was 55,000. If I had to guess, Mr. Speaker, I would say that there were several hundred thousand Canadians who had direct ownership of shares in Canadian banks. If we take the institutional investment in the banks and consider the beneficial ownership in the banks' equity stock by Canadians—and in this respect I am referring to pension funds, estates and trusts—I suggest there are probably millions of Canadians who have some direct or indirect interest in the operation of Canadian banks.

The executives themselves are not a particularly wealthy group. Some people are impressed by the high salaries of these professional managers in Canada. There was an example given just recently of an industrialist managing a large company earning something over \$300,000. Salaries of \$200,000 are not at all rare in Canada today. I do not know what salaries the

banks pay their top men, and this information may not be published. But that is not the point. These men are professional managers whose responsibility it is to serve their customers. At the same time they must protect their depositors and ensure that their shareholders, who are their ultimate bosses, receive a proper return on the capital which they have invested in those banks.

A lot is said about the banks and their huge profits. It is not necessary to go into the dollar figures here, but the percentage increases, which is the kind of information my friends to my left, and particularly the hon. member for Regina-Lake Centre (Mr. Benjamin), seem to indulge in, I have brought with me tonight. Profits of all Canadian banks, not counting the ones which lost money, in 1977 increased between 10 per cent and 13 per cent over 1976 profits.

Everything that is published in the financial world these days is published in numbers of actual dollars, not in so-called real dollars, which is the dollar discounted for inflation. If the government can allow the inflation rate to run at 9 or 10 per cent every year, an interest rate running between 10 and 13 per cent can hardly be said to be unreasonable. After all, the banks deal in dollar units; they do not get the kind of security against inflation which is held by people investing in real estate or in equities which increase in real value so as to offer protection against inflation. The banks have to reflect the result of inflation in the increase in their investments in terms of numbers of dollars. This is not to the discredit of the banks. If there is any blame to be apportioned for that kind of increase, it has to fall upon the government.

● (2052)

What kind of services are the banks performing and what kind of services do we want them to perform? It is true that the banks, because of the type of deposits they were in the habit of taking, were not for a long time involved in the mortgage market. Then, for a time, there was a non-legislative barrier against their being engaged in mortgage transactions—I refer to the interest ceiling placed on banks only. But since then we have seen an increasing involvement of banks in the mortgage field. Indeed, two years ago the banks were the holders of 21 per cent of all institutionally supplied mortgages. So more than one of every five dollars in the mortgage market had been put up by the banks, representing a sizeable proportion of mortgage funding in the housing field at any time. I suppose one might wonder whether this involvement by the banks increased the total amount of money available for mortgages or whether it merely allowed some of the other lenders to run off into other areas. I do not know.

Another important use of the funds of banks is in the small loans field. This is an area which is often overlooked. People sometimes think that the banks are being unfair in charging what they term a high interest rate on loans to individuals; rates of between 12 and 14 per cent are talked about and are realized by the banks. What is often ignored is the risk encountered by the banks and the rates charged by others in the field who are not in the same competitive position. I am