

*Bank Act*

should be covered in the next decennial revision. Under the B.N.A. Act, parliament undoubtedly has exclusive jurisdiction over banking. The Porter commission recommended that the banking operations of all these corporations should be subject to federal regulation. This has not been done under this bill. The deposit insurance legislation passed this session will be of great help but it will not provide the entire answer. Indeed it is a startling fact which no member of this house should forget, that the Bank Act does not control any corporation, federal, provincial or foreign, carrying on banking provided it does not call itself a bank. I think something should be done about this but, as I said, for practical reasons I do not think it can be done in this decennial revision.

Certainly it is difficult to develop a completely accurate definition of banking, and we must guard against invalidating our important banking legislation by going too far and exceeding our jurisdiction. It seems to me that we could avoid all such technical legal difficulties by requiring all corporations carrying on banking within the meaning of the B.N.A. Act to obtain a licence under the federal Bank Act. If a particular corporation disagreed with the department on whether it was carrying on banking within the meaning of the B.N.A. Act, the issue would be determined by the courts. By making decisions in specific cases the courts would in time develop a satisfactory definition of banking within the meaning of the B.N.A. Act. For this reason I am not sure that we need a statutory definition of banking as suggested by the hon. member for Edmonton West.

Our financial legislation since confederation has tended to divide and isolate our financial institutions in separate compartments—chartered banks, trust companies, insurance companies, finance companies, and many others. Rapidly changing conditions have rendered this technique obsolete. Their functions overlap, and in order to remain competitive with other countries we must be prepared to break down the watertight compartments. This was recognized and recommended by the Porter commission. However, as I have said, this principle could not be made effective in this decennial revision. Before the numerous and various types of corporations now carrying on banking functions in Canada are made subject to federal banking regulations we must make sure we are in a position to enforce the highest standards of responsibility and inspection and to maintain effective

[Mr. Wahn.]

monetary control of our economy. This is of prime importance and must not be sacrificed under any circumstances.

If all these corporations are to be made subject to the Bank Act, presumably they must have essentially all the rights and obligations of chartered banks such as the security provisions under clause 88, or else it should be abolished altogether. They must have access to the Bank of Canada as lender of last resort. They must have clearing house privileges and all the other special privileges of chartered banks. Similarly, they would be required to maintain cash reserves with the Bank of Canada and presumably be subject to restrictions as to interlocking directorates and ownership and control in the same way as are the chartered banks. The problems involved here are not problems of theory nor are they constitutional problems. They are very practical problems. They are not insoluble, but they could not be solved in time for this decennial revision. They should be tackled, in my opinion, in the next decennial revision.

Up to the present time we have had a nice cosy club in Canada limited to eight chartered banks, the Bank of Canada and the Department of Finance. There has been the utmost co-operation among the chartered banks and the Bank of Canada in monetary policy. Their informal methods have worked well because there are only a few people involved who know each other well and are on a first name basis. There are Earl and Allan and Arnold and Louis and Jean and Bill and Neil and a few others. They understand one another. It is true that Earl likes to talk and you can never be quite sure what he is going to say next. He even writes letters to members of parliament an unusual procedure and one which lowers the tone of the club a bit. However, he means well and it works out all right. It is a respectable, well padded, well tailored group and though it may amuse or annoy us at times, depending upon our temperaments, unquestionably this banking club or establishment has served Canada well up to the present time. The great majority of Canadians are proud of the Canadian banking system despite its many imperfections.

Will the system work equally well if the club is thrown wide open to an assorted group of trust companies, loan companies, mortgage companies, investment companies, finance companies and other companies carrying on miscellaneous banking activities and of varying sizes and financial responsibility? Where will the line be drawn? Will it be possible to reach quick and effective agreements