

*Financial Institutions*

The Minister says that Canadian access to overseas markets will be a factor in his considering applications from foreign firms. I would have preferred a firmer statement of what the Government is doing now and what its intentions are in the future.

There are great changes in the offing. There are opportunities and potential benefits for Canada in moving to liberalize our securities markets. But in order to maximize those benefits for Canadians the Government must demonstrate that it has the capacity, the ability and the drive to manage change fairly and effectively.

To date, there has not been much evidence of this. The reform process has moved in fits and starts, buffeted by outside events and repeatedly dropped to the bottom of the Government's agenda. Nevertheless, I still have hope that the draft Bill, the final piece of legislation, will indeed be released in the next couple of weeks and that we may proceed to consider it early in the next session.

**Mr. Mike Cassidy (Ottawa Centre):** Madam Speaker, Bill C-56 now before us on third reading is the second part of the financial package of three Bills which deal with financial institutions and which members of my Party have agreed with the Minister to allow to go through before we rise for the summer. The deadline is, of course, June 30, because of the actions of the Province of Ontario.

A major provision of the Bill is to allow banks and other financial institutions, including co-ops and credit unions, to own securities dealers. I find this interesting and disturbing. One can see that the investment industry in Canada, having elected one of its number to be Minister of Finance (Mr. Wilson), will in fact disappear as an independently Canadian-owned entity in a matter of days, if not perhaps in a matter of a few weeks or a few months.

Today's news is that 35 per cent of Wood Gundy has been sold, or has been agreed to be sold, to the First National Bank of Chicago. The Minister may want to inform the House at some point whether or not this sale has been approved by the Government since this takeover surely has to have some form of federal approval. However, I am sure that the partners in Wood Gundy are rubbing their hands in glee because for 35 per cent of the company they have received something in the order of five times book value. Therefore they have been extremely lucratively paid for giving up effective control of the company. Once 1988 rolls by, I am sure the First National Bank will move on to take full control.

What is interesting and of concern is that there has been no breath of objection from the Government, despite the fact that a Canadian bank would not be in a position to take control of a major securities dealer in the United States. The banking legislation in the United States prohibits that. Not only does it prohibit such a move, it inhibits a Canadian bank which has a securities subsidiary in Canada from operating and doing banking operations in the United States.

The Minister said that some form of reciprocity would be involved. But it is not clear to me that that is being applied in any serious way whatsoever.

The Bill as we have it before us provides new powers to the Superintendent of Financial Institutions. These are powers which, with hindsight, would have been very helpful. We are closing the stable door after the horse has fled in connection with the demise of the Canadian Commercial Bank and the Northland Bank.

The Superintendent, who takes over from the Inspector of Banks, will have the power to issue cease and desist orders, to impose new values for real estate assets, that is, to force an institution to revalue its real estate assets, or to reassess the values, or to revalue them directly. These are useful powers. They involve a continuation of regulation at a fairly intense level.

My Party has raised some concerns over the degree to which the oversight is being exercised almost entirely by the regulator and the limit of degree to which there is any outside influence in terms of public scrutiny that will allow the public, in the form of depositors, investors, and borrowers, to reach a judgment themselves about the financial stability of institutions with which they do business. Nonetheless, these powers are acceptable.

The area which caused controversy in committee was with respect to Clause 10 and related clauses that dealt with the commercial link policy of the Government. The Government's December 18 White Paper indicates that the Government has decided that commercial links to financial institutions are wrong under any circumstances. That is not quite it. They are actually wrong under any circumstances, to the extent that new commercial links are to be forged, but existing commercial links which allow Imasco and Power Financial and groups such as that to have the major stake in financial institutions are protected. Those are grandfathered. The only restriction is that 35 per cent of the control of financial institutions will be required to be widely held rather than being handled in one hand, in the hand of one commercial group. But 65 per cent can remain in the hands of a particular group. That is simply inadequate as far as New Democrats are concerned.

We are concerned that the Government's policies are being released in dribs and drabs and that we do not yet know exactly what the Government has in mind in terms of its ownership policy. We have the White Paper which we have indicated is inadequate. It has been criticized in many quarters. The Government has not indicated whether it is shying away from it or not.

What it has done, or what it did propose, was a series of measures that were slipped in through the back door, as my friend, the Hon. Member for Trinity (Miss Nicholson), pointed out just a few minutes ago. The first version was extremely offensive. It meant that by judging that commercial links exist at any time there was a more than 10 per cent shareholding going into associated companies, as well as