

PART IV *An Act to establish the Canadian Payments Association* (pages 427 to 444 of Bill C-6).

PART V Related and Consequential Amendments to other legislation (pages 445 to 463 of Bill C-6).

It also should be noted that Part I of Bill C-6, being the new *Bank Act* contains approximately four hundred provisions which are based on equivalent provisions of the *Canadian Business Corporations Act*.

The main changes contemplated in this decennial review of the banking system might be summarized as follows:

1. Changes and reduction in primary cash reserves required to be provided by Canadian banks;
2. Entry of new banks into the banking system in Canada either by Special Act of Parliament or by Letters Patent;
3. Entry and control of and conditions for the operation in Canada of foreign bank subsidiaries incorporated under the new *Bank Act*;
4. Further delineation of specific business power of banks;
5. Changes in the corporate structure of banks;
6. Provisions requiring or permitting banks to conduct certain types of undertakings, i.e. leasing, factoring, mortgage lending, venture capital investing — through subsidiaries;
7. Establishment by a Special Act of Parliament of the Canadian Payments Association which would include banks and near-banks in the evolving national electronic payments system for clearing and settlement purposes;
8. Amendments to the *Quebec Savings Banks Act*, the *Bank of Canada Act* and other related legislation.

Since the issuance of the White Paper in 1976, your Committee has made many recommendations for improvements in the proposed legislation, and many of these recommendations have been accepted by the Government as evidenced in the Amendments made in the successive Bills C-15, C-14, C-6 and C-6 as amended, respectively.

Some of the more important amendments to the *Bank Act* which fall into this category include the following:

#### *The Bank Act*

1. Reduction of the primary reserves from 15% to 10% on demand deposits and from 4% to 3% on notice deposits.
2. Shortening of the phasing-in period for the reduction in reserves.
3. Establishment of a form of public review for the incorporation of new banks.
4. Exemption of cattle from "Section 88" security and establishing a reasonable indexing of the amount of claims of a grower or producer of products of agriculture which have priority under Section 88 (new Section 176).
5. Conducting of factoring and leasing activities by banks through subsidiaries.
6. Licensing of foreign bank subsidiaries and the grandfathering of certain assets owned by a foreign bank subsidiary at the time of incorporation as a bank.

7. Improvement in the proposed restrictions concerning the eligibility of officers of a bank to become directors of the bank or of other corporations.

8. Modification of the restrictions on data processing and storage of information outside of Canada.

9. Incorporation in the *Bank Act* of provisions governing the cost borrowing.

#### *Canadian Payments Association Act*

Your Committee made many recommendations concerning the proposals in the White Paper for the Canadian Payments Association. The White Paper had proposed that near-banks, trust companies and credit unions who become clearing members of the Association should maintain interest-free cash reserves at the Bank of Canada in the same manner as chartered banks. Your Committee recommended against the establishment of such reserves other than the amount necessary for clearing purposes. The proposed legislation in Bills C-15, C-14 and C-6 does not require near-bank clearing members to put up such interest-free reserves.

Several other recommendations by your Committee have been incorporated in the proposed legislation.

#### *Quebec Savings Banks Act*

The White Paper had proposed that all clearing members of the Canadian Payments Association would be required to maintain interest-free reserves at the Bank of Canada. This would have meant a change in the nature of the reserves presently required of the Montreal City & District Savings Bank, with a resultant material loss of revenue to it. Your Committee recommended against any increase in the nature or rate of reserves for this bank which presently are 5% of deposits in cash reserves and 15% in secondary reserves. This principle has been carried through in the legislation with no change in reserve requirements. Generally, in accordance with your Committee's recommendations, the lending powers and some other powers of the bank have been broadened, the provisions of the Act have been brought in line with those of the *Canada Business Corporations Act*, and the bank may open branches anywhere in Canada instead of being restricted to the Province of Quebec.

#### *Canada Business Corporations Act*

Your Committee studied the many proposed amendments to the *Bank Act* which tend to bring the *Bank Act* in line with the provisions of the *Canada Business Corporations Act*. Your Committee made a number of recommendations for improvements in these amendments, several of which have been implemented in the proposed legislation.

Included in these amendments are improvements in financial disclosures to shareholders and to the public, provision for consolidated financial statements, and more detailed provisions concerning the appointment and responsibilities of auditors.

#### *Regulations*

In conjunction with the issuance of Bill C-15, the Minister tabled a number of draft proposed regulations. Your Commit-