

for one year for each year of the first five years, and that thereafter it could be obtained at three-year intervals. That amendment was made in June, I think, of this year by the Commons committee.

There is a provision, too, that a foreign bank may not guarantee the paper of an affiliate in Canada, other than a non-bank affiliate or a foreign bank subsidiary. The purpose, I would conclude, is to keep them out of being in the stream of business directly in Canada. We had many questions as to why the foreign bank should not be able to use its guarantee system in Canada. It would bolster up some of the security operations to have such guarantees, but no change has been made in that.

● (2130)

The only other point concerned the time and growth limitations. It is provided that the Canadian assets of a foreign bank subsidiary may not exceed 20 times its authorized capital. It is also provided that the aggregate domestic assets of all foreign bank subsidiaries may not exceed 8 per cent of the total assets of all Canadian banks, including in such latter total the domestic assets of the foreign bank subsidiaries.

The idea there, of what I call the size and growth factor and the market share, is that those conditions which are attached to the operations of a foreign bank subsidiary in Canada are designed to control the extent of the growth of those foreign banks through their foreign bank subsidiaries in Canada. Overall, the 8 per cent of domestic assets is a limit to which the foreign banks which appeared before us did not raise any particular objection, and they came before us from the United Kingdom, West Germany, France, the United States and Japan.

We went into those conditions, the size, growth and other factors. Some suggestions were made and accepted, but in the main the banks that were represented appeared to be satisfied with the conditions.

Having dealt with those phases, I wish now to bring the house up to date. There were a number of amendments proposed by the government at a very late date. On approximately June 20 quite a number were proposed and were delivered to the Commons committee, but not delivered to us. However, in many aspects Ottawa is a place where, if one wanted to gather information, it is possible to do so, and we were able to procure copies of those and subsequent amendments. When I complained to the minister that, after all, we had some rights in the matter, we started getting copies of subsequent amendments.

The Commons report was tabled on October 6. Earlier in the week an amendment was introduced dealing with what is called the prepayment of individual loans and there was a prohibition put in the bill. It was a government proposed amendment which the Commons committee approved. The prohibition provided that the prepayment of an individual loan could not be prohibited by the requirement of payment of a charge or penalty; that if there were a charge or penalty, there were regulations prescribing what it would be.

I believe that in some quarters it has been indicated that the rate or charge may be that no rate or charge will be permitted to be made. The difficulty about that, and the objection which your committee had to it, was that all individual loans are not consumer loans. In the language that was used in the Commons committee, and at times by the minister, they were designated as consumer loans, and we said that because they are individual loans it does not necessarily mean they are consumer loans and therefore there should be an exemption—that the prohibition applied only to consumer loans or that business loans were excluded.

Our first reaction in committee was to say that there would have to be some change and amendment to this action. We discovered, however, that there is a cost where an individual loan is prepaid, because the cost of negotiating a loan and all the other factors are spread over the life of the loan, and, of course, if there is a prepayment, the full cost is not realized. That means one of two things: either the individual rate on such a loan will be increased to take care of that, or the cost will be included in the general cost of all the loan business; but one way or the other it will be taken care of, because if you do not take care of your costs, then it is certain that you will develop difficulties at some time in the future.

However, the question that the committee had to decide was whether it would recommend that the provision be amended. Incidentally, we also discovered that the government itself is not practising what it is preaching in relation to those charges or penalties, because in connection with the latest issue of Canada Savings Bonds there are penalty provisions. For instance, if one cashes in a bond during the month, one does not receive any interest for that month. We mentioned that to the minister and to Mr. Kennett when they were before us, and they looked a little surprised but there was no answer given. It is a good precedent to follow, and that is what we told the minister.

However, our recommendation will be that time is an important factor in meeting the deadline for this bill and there is a way—although perhaps not a fair and equitable way—of passing on the cost of the prepayment. It is true that the people who did not cause the prepayment are those who will suffer by whatever is the amount of the cost that is saddled on them. It does not seem fair. However, it may well be that we should ask the minister to review this matter rather than present the spectacle of an amended bill.

We had then to give consideration to the ownership of bank shares. We have had no explanation as to why there is this request, and we feel at this time that possibly our purpose would be served if the minister would undertake to review the matter within, say, the next session of Parliament.

● (2140)

It may take me a few minutes to tell you the full story on the question of financial leasing. Some of the members of the committee who are here, of course, are fully aware of it. Under this heading we are dealing with the business and powers of a bank. The white paper, and the several bills that followed it, provided, first of all, that the banks might engage in financial