

It seems to me that this bill should do some good. It does not, in my opinion at any rate, threaten the stability of the present banking system in this country because no one would like to do that. It does, however, provide for considerable expansion in the area of competition with respect to banking services.

For those reasons, honourable senators, I would be glad to support this legislation. I will surprise my honourable friend by saying that, if he decides not to send the bill to committee, he will get no objection from me. I would be prepared to give it third reading without delay.

Hon. Hazen Argue (Minister of State for the Canadian Wheat Board): Honourable senators, the bill before us today is one to amend the Bank Act.

I should like to talk about another feature of our banking system—I use the expression more in quotation marks—to say that in my opinion there should be accelerated attention given to making the entire system more competitive than it is now. In saying that, I refer to that important segment of our lending institutions, the credit unions and the caisses populaires.

Across this country there are ten million Canadians who are members of credit unions or caisses populaires. For a long time those institutions have been anxious for an equal opportunity to compete within the financial system of this country. Although moves in that direction have been forthcoming, they have been unduly slow. Over the last couple of years some major advances have been made in giving the credit unions the right, under the law, to compete in a more effective way and in larger areas with the banking institutions. Some of the credit unions are now becoming members of the Canadian Payments Association, the clearing house for cheques, along with the banks. I am informed that this is of major help to the credit unions, and I am informed that it has had the effect of augmenting their income.

Approximately a year and a half ago, amendments to the Financial Administration Act were made, which amendments allowed credit unions for the first time in history to accept deposits of the Government of Canada. Up to that point it was illegal for the Government of Canada to deposit its own money in credit unions. What happened at one point a couple of years ago was this: many credit union and caisse populaire members, as good Canadians and as investors, bought Canada Savings Bonds. Because of that, all at once something over \$300 million was scooped out of the credit union system. This put them in grave financial difficulty because the federal government had to remove its money immediately and could not put it into the credit unions. An amendment was therefore made to the law so that it now permits the credit unions and the caisses populaires to compete with the banking system. Those institutions feel that they are on an equal basis with the banks with respect to deposits of the Government of Canada.

The credit union movement constitutes about 10 per cent of our banking system in the larger sense, and it is now estimated to receive about 10 per cent of federal deposits. The credit unions are happy with that and they like it that way. But they

[Senator Roblin.]

have been asking for amendments to the act under which the Canadian Co-operative Credit Society operates. That society is the central organization for credit unions. The request is that the law should be broadened, because at present they are allowed to lend only to members of the co-operatives. They would like to get out into the broader lending field, not only because they want to be more competitive in extending their credit to a larger group of Canadians, but also because they think it would broaden their own financial base and, in a sense, remove some of the risk in having it confined, as it now is, to only one segment of the economy. If they were to use good management—and I am sure they would—they could make investments that might give them a higher return.

The request has been that the act should be changed so that 20 per cent of their assets could be lent outside of their own credit union and co-operative system. In discussions with representatives of those institutions, I have indicated that in my view the 20 per cent limit should not be set out in legislation but that it should be up to the Governor in Council to adjust the limit from time to time. I am sure that, if that were done on the basis of recommendations from the credit unions themselves, the agreed ceiling would be a satisfactory one. I would like to see that come forward. I am told that amendments are necessary to the Trust Companies Act, and some of us were trying to get a package put before Parliament which would include the banks, trust companies and credit union centrals. However, that has not been possible, and I am placing on the record the request of credit unions and caisses populaires that there should be a response from the federal government and the Canadian Parliament to provide Canadians who belong to the co-operative movement an opportunity to compete on an equal basis with the banks.

When we are talking about competition and wanting to open up the banking system to foreign banks—which raises another major and troublesome question—surely we should be taking collective action that will permit competition from the co-operative movement in this country. It is possibly too late for action during the term of this Parliament, but I am placing these remarks on the record in the hope that the subject may be referred to by others in the future and appropriate action taken.

Hon. Hartland de M. Molson: Honourable senators, I had not intended to make an intervention, but I have listened with interest to what has been said and I am rather concerned about the fact that this amendment to the Bank Act has come to us with the report of a committee of the other place. I do not recall such a procedure occurring very often in this chamber. Usually over the years when such bills have come forward, they have been referred to our own committee, which over the years has perhaps had as high a standing as any committee on the Hill. That committee has always taken the time to hear witnesses and to give full consideration to bills.

I believe it has been clearly indicated that the Canadian public wants more competition in the banking system and that it wants greater access to credit. No doubt what is being done now is probably a step in the right direction, but I am not at