

[English]

**Hon. H. A. Olson:** Honourable senators, I do not want to be sticky but I believe that only one bill may be moved at a time. However, we have agreed for purposes of debate that we will debate all four.

[Translation]

**Senator Poitras:** Honourable senators, should I move again the second reading of bill C-34?

[English]

**The Hon. the Speaker:** Senator Olson, do you want each one of them to be moved separately, or do you agree that the four be moved together?

**Senator Olson:** I believe that each bill has to be moved separately and passed. However, I do not want to disagree with the two house leaders who have said that all four could go together for the purpose of debate.

**The Hon. the Speaker:** We will agree that this is for the purpose of debate.

[Translation]

**Senator Poitras:** Honourable senators, as I said before, two weeks ago I presented in this house the report of the Senate Committee on banking regarding the pre-study of bills C-34, C-4, C-28 and C-19, legislation governing cooperative, insurance companies and banks. It is now up to this house to decide whether or not this legislation provides for a solid foundation for our financial system. When presenting the pre-study, I discussed the method we followed. Today, I would like to comment on the legislation and the Senate's role in its drafting.

However, before dealing with the legislation per se, I would like to highlight and I think this is very important, the profound changes that are reshaping financial institutions all over across the world and the impact of global competition on our institutions. While we are embarking on our debate of this legislation, European leaders are meeting at this very moment in the Dutch city of Maastricht in an effort to reach a monetary and economic agreement. It is a huge step towards the full integration of their economies, the creation of a common currency and the establishment of a central bank. The European community could reap up to \$30 billion Canadian a year from an open market for financial services. As they gain strength in a more competitive common market, the EEC's financial institutions will be in a better position to compete on the world market.

On the European financial markets, institutions authorized to operate in any member country according to the local rules, will be able to do so in all the other member countries without prior authorization for their individual branches.

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Yet, not everything is as rosy. While the banking industry has developed common rules, the insurance industry is in a difficult position. Markets like Germany stay closed to foreign imports because of a wide range of protectionist measures.

There is still much to be done in other sectors like resale securities, payment systems, takeover rules, etc.

Closer to home, south of the border, in the United States, there are numerous problems in the financial system. The problems of the American Savings and Loan Associations have been making headlines for years. The collapse of the S & A, which were established to get the U.S. economy out of its mess, already cost US \$80 billion to cover depositors' losses. Congress recently approved another US \$25 billion, even though the Bush administration had asked for more than \$80 billion. We are told that almost 300 companies still remain on shaky grounds in that sector.

The insurance industry has also faced serious problems abroad. Several businesses were in jeopardy after making risky investments in junk bonds and in real estate. Several have cash flow problems which result from the billion of dollars invested in non-liquid holdings such as mortgages that can be sold only with big losses. Until last October, the government had taken over 34 insurance companies compared to 32 last year.

Finally, as with the S & LA, the American banking industry seems to go through a difficult readjustment. The number of failed banks is as high as during the Great Depression. Since 1987, almost 900 banks with assets of \$162 billion went bankrupt. The Federal Deposit Insurance Corporation, which recorded a surplus of \$18.3 billion in 1987, is virtually penniless. The Bush administration is seeking US \$70 billion to deal with the problems of the banks. To make matters worse for the banks, last month, the Congress approved a more stringent regulation system. Regulators now have to solve problems more rapidly and close the banks before they go bankrupt.

The European Economic Community and the United States are not the only one to face dramatic changes. There are some serious problems in the Japanese financial system. In Canada, there are some difficulties with the trust companies which I hope will be resolved without any problem for the Canadian financial system. The other pillars of our financial system seem to be doing well.

How will our Canadian financial system do in the years to come? Will the proposed legislation provide a solid foundation allowing us, first of all, to protect consumers and maintain solid financial institutions and a stable financial system?

Secondly, to promote competitiveness, to ensure the efficiency and expansion of the various options made available to consumers, and thirdly, to promote the harmonization of the federal-provincial regulating policies.

Have we given ourselves a framework within which few institutions will face serious problems and several will be able to grow?

The legislation before us will in fact provide the solid framework we are looking for. It represents a compromise between the need to give our financial institutions the power to compete at the international level in terms of financial services. It is a compromise between the wish of the four pillars of our financial system, which want to expand their activities in every financial sphere.