• (1850)

The subject matter of Bill C-30 was before the Standing Committee on Finance, Trade and Economic Affairs several weeks ago and, after hearing from witnesses that included the Inspector General of Banks, representatives from the Schedule "B" banks and representatives from the Trust Companies Association, the committee unanimously recommended that Schedule "B" banks be allowed to increase their capital base in their operations in Canada. As you are aware, the present Act limits the assets of Schedule "B" banks to 8 per cent of the total domestic assets of Canadian banks, as shown on a schedule prepared at the time that provision was enacted. The committee recommended that the 8 per cent limit specified in the legislation be lifted. This recommendation was based on the advice of the Inspector General of Banks that adequate control could be exercised by monitoring the deemed authorized capital of the Schedule "B" banks. However, when the Bill came through, it did not follow the recommendation but it raised the limit from 8 per cent to 16 per cent of the total domestic assets of all banks in Canada. That is the matter we are dealing with today.

We, of course, support Bill C-30 notwithstanding representations made to the committee. I understand the Canadian Bankers' Association supports the Bill, but some members of the CBA are not happy with it and would like to see this Act used as a lever against certain governments which will not grant reciprocal arrangements to our banks. There is another matter of the extra-territorial application of the law of a country against a Canadian bank where its court levied substantial fines for non-compliance. I understand that both these matters are the subject of discussion at a ministerial level and a resolution may be forthcoming. The request of the trust companies association was more direct. In effect they asked that we not pass this Bill until we have dealt with the trust companies, insurance companies and other financial institutions.

The Minister of State for Finance (Mr. MacLaren) has set in motion a committee of representatives from trust companies, insurance companies and other financial institutions to get their recommendations as to where they should fit in a new expanded picture of financial services. Certainly they want to broaden their base of operations to utilize their substantial cash flows. Some would alter their base so as not to be so dependent on one service. I agree that we should await the report and have discussion with the provinces so as to prevent the sort of jungle that was developing in the trust industry through unclear jurisdiction between federally and provincially chartered trust companies. Certainly there is a need to overhaul the legislation covering trust companies, insurance companies and other financial institutions. But while we want to see this matter dealt with on an urgent basis, we did not feel we should hold back this matter until we could deal with that larger question.

We are constantly being told that we must find a solution to higher interest rates. Perhaps competition is the best solution. We noted, when the trust companies ran mortgage rates up to 21 per cent and locked in the mortgages with unreasonable penalties for prepayment, that our chartered banks found themselves very liquid because of a low level of demand of commercial loans. They moved into the mortgage field, and the rates came tumbling down. The trust companies followed the bank led mortgage rates down the scale until housing starts increased and the sluggish real estate market came alive.

Perhaps what we are doing here today will have a ripple effect and with more money available in the market-place the rates may modify. Of course, the one action that may defeat this is if the Government of Canada moves to take a larger piece of the money market. In the past year it took about 75 per cent of the money available in the commercial market, thus making it difficult for those businesses which need term money to find adequate sources. It is plain for anyone to see that we need a more active equity market. Most of our businesses have equity problems. Many have serious cash flow difficulties as they adjust to the regime of low inventories on hand and "just-in-time" suppliers. We wish to co-operate and pass this Bill through all stages so that we may send it to the Senate which we hope will deal with it on a priority basis.

Mr. Dave Nickerson (Western Arctic): Mr. Speaker, it is my intention to speak fairly briefly on this matter in support of Bill C-30 to amend the Bank Act. I am certainly in general agreement with the idea that foreign banks be allowed to operate in Canada. Since we started this experiment some years ago with an initial 8 per cent ceiling, the experience has been good on balance. It has added competition in the banking field, of which I would like to give you a couple of illustrations.

The first that comes to mind is in the market for municipal loans. I know one or two municipalities in my area which wanted to borrow money but were not able to do so at competitive rates from the Canadian chartered banks. However, they were able to do so from foreign banks which were looking for customers and very interested in this particular market. Another example, on a geographic basis this time, is the market for loans to people in the oil and gas field, not necessarily the big operators, the Essos and the Domes—although some of the people who lent money to Dome will have wished they had not—however, the people in the shipping and other businesses ancillary to oil and gas exploration and production. When the National Energy Program killed the oil and gas business generally in western Canada, the banks, the headquarters or the regional offices of which were in Calgary, automatically came up with the idea that they were not to make loans to people who were dependent on the oil and gas industry because that industry was pretty sick as the result of Liberal Government policy. However, in the Beaufort Sea the opposite was happening. There the exploration business was booming, so to speak. But the operators there found themselves caught up in the same net because the banks with which they dealt had their offices in Calgary where things were going badly. A number of people and businesses in that area were unable to borrow money from the Canadian banks at reasonable rates, if at all, but they were able to borrow money from the foreign banks.