

Bank Act

All the substantive changes to Bill C-15 were in response to those recommendations. Approximately 40 of the recommended changes have been adopted in their entirety and more than ten others were incorporated with some modification. I have adopted the modified bill but have also found it necessary to make a number of technical corrections and changes. Details of the major changes have been set out in tabular form in the news release and summary which the previous minister of finance made available to the House.

At this point I would like to acknowledge the tremendous contribution made by the committees of the Senate and the House in the development of the proposals contained in the present bill. The extensive hearings by both committees allowed interested parties to be heard and their views carefully considered. I should also like to acknowledge the most recent review of Bill C-14 by the Senate committee.

This is an extremely long, complex bill, Mr. Speaker. It lays down the framework or ground rules for the establishment, operation and supervision of the chartered banks, the Quebec Savings Bank and the Montreal City and District Savings Bank. Provision is also made, for the first time, for the establishment of foreign-controlled banking subsidiaries in this country. In providing for the creation of a new Canadian Payments Association, it will also allow the full participation of the near banks—credit unions, caisses populaires and trust and loan companies—as well as the chartered banks, in the organization, administration and development of the Canadian payments system.

Over all, the main purpose of the bill is to strengthen and develop the Canadian financial system through the promotion of effective and equitable competition. This is true of the proposals relating to the Canadian Payments Association, easier entry into banking, chartering of foreign bank subsidiaries, authority for banks to lease and factor, the reduction in banks' reserve requirements, and the broadening of the geographical operations and business powers under the Quebec Savings Banks Act. The third part of the legislation deals with amendments to the Bank of Canada Act. The fourth part is about the establishment of the Canadian Payments Association Act. The fifth and final part concerns related and consequential amendments to other legislation.

● (1630)

What about the Bank Act? The main part of the present revision is of course the Bank Act itself. The chartered banks, serving the public from over 7,450 branches, with total Canadian dollar assets at the end of 1979 in excess of \$147 billion and foreign currency assets, based on their domestic and international business, of about \$82 billion, are central in Canada's financial system. In a very real way they tie the country together by providing their services on a national basis and bringing similar banking services at similar costs to almost all Canadians. In addition to making provisions designed to

implement new policies in areas such as entry into banking, foreign banks and the business powers of banks, the structure of the Bank Act has been redesigned in order to ensure that its provisions, where appropriate, are consistent with the principles and provisions of the Canada Business Corporations Act.

Among the banks themselves, the concentration of business in the hands of the five largest banks has been diminishing gradually and, since 1964, four new banks have been successfully established. Nonetheless, a continuing concern has been felt about the share of market of the five largest banks and the small number of banks. Consequently, the government has continued to seek ways to ease access to banking and thus to increase the number of alternatives available to Canadians. The proposals regarding entry into the banking business should make the establishment of a new Canadian bank a somewhat less difficult and uncertain undertaking while continuing to ensure that only soundly conceived enterprises are launched. These proposals include, first, the incorporation of banks by letters patent as an alternative to a special act of Parliament. Second, incorporation provisions to facilitate the conversion of an existing financial institution to a chartered bank. Third, the permission for provincial governments to hold and vote up to 25 per cent of the shares of a new bank—with provisions for reducing provincial ownership to 10 per cent over ten years. Fourth, an explicit indication in the act that Canadian financial institutions other than trust companies or deposit-taking institutions would be authorized to own and vote up to 25 per cent of the voting shares of a new bank, and higher percentages as may be approved by governor in council, for a period of ten years, after which the 10-per-cent rule would apply. Fifth, provision for foreign banks to establish banking subsidiaries in Canada.

I have also agreed with a proposal to remove the requirement in Bill C-15 that co-operative credit corporations as a group be disallowed from holding more than 25 per cent of the voting shares of a bank. Following closely the recommendations of the parliamentary committees, it is being proposed to associate all locals, centrals or regionals, and federations where they are linked by membership and operate within a single province. Each associate group will be able to acquire up to 10 per cent of the voting shares of a bank. Any existing holdings of up to 25 per cent would be "grandfathered."

With regard to the incorporation of new banks, whether they be Canadian-owned or foreign bank subsidiaries, the Senate Standing Committee on Banking, Trade and Commerce has recommended in its reports a system of public review of applications for letters patent of incorporation. The Senate committee concluded that a parliamentary form of review is inappropriate and that the public review should be conducted by the Inspector General of Banks. The inspector would be authorized to conduct such a review for all new banks, with the power to make appropriate recommendations to the minister to grant or refuse such applications.