

Bank Act

banking operations or all financial institutions"? I think I may have misunderstood him.

Mr. Lewis: I said all banking operations of financial institutions other than banks.

Mr. Sharp: Then may I ask another question for clarification. Would he include instalment finance companies, and so on, that are not carrying on banking?

Mr. Lewis: It may well be, Mr. Chairman. I think one would have to look into the constitutional problems there a little more deeply, though my impression is that the exclusive jurisdiction of the federal parliament over interest rates may easily open the door to dealing with even those institutions. But certainly there is no question of our power, I suggest, to deal with what are normally called near banks—none at all.

The reason that I criticize the government for failing to bring such legislation before us is that the government have had the report of the Porter commission in their hands for about three years. No one can suggest that this is a new idea and that there would be difficulties in drafting the necessary regulations or the necessary legislation to deal with what is, I appreciate, a rather complex problem. The recommendation of the Porter commission that the federal parliament pass legislation covering the entire field of banking has been in the hands of the government, if I remember correctly, for either just under three years or just over three years, so there has been ample time for the government and the minister's department to deal with this question.

I suggest, Mr. Chairman, that until such time that the federal parliament takes responsibility under the constitution for the entire field of banking we will take only half steps in dealing with our financial operations. All of the efforts that we will make to obtain some kind of control over the allocation of funds and over interest rates will, partially at least, be frustrated by the fact that a large proportion of our banking functions are being performed by organizations which do not come under the law.

The minister recognized this, of course—I am not telling him anything he does not know—and he introduced deposit insurance, making certain provisions to enable him to look into the books and regulate the operations of organizations other than banks which came within the deposit insurance scheme set up by this parliament. So as I say, Mr.

[Mr. Sharp.]

Chairman, why the hesitation? This is the time to take action. This is the decennial review of the Bank Act and this is the time to have such legislation before us.

Mr. Sharp: Mr. Chairman, may I put another question to the hon. member. Since the Porter commission did make the recommendation that federal jurisdiction be extended over near banks, what in his opinion was the reason they did not recommend the retention of a ceiling on interest rates for all those institutions?

• (9:00 p.m.)

Mr. Lewis: I shall come to the interest rate later. I think, subject to what I want to suggest, there is good logic in not having any ceiling. I have agreed with those who have suggested that an arbitrary ceiling does not fit the situation, or may not fit the situation. When the interest rate goes up and a ceiling is imposed, though if certain institutions are included under the law there may not be problems of competition, none the less the ceiling will be pierced, avoided, evaded and a great deal of harm may be done. I am afraid I cannot look into Mr. Justice Porter's mind.

Surely, however, the minister's question is totally irrelevant to the point I am now making. Whether you have an interest ceiling or whether you have any regulation of interest rates in the way I shall suggest, we ought to have some regulation of the interest rate. And whatever you have, whether it is little or much, it ought to be applicable to all banking operations, if it is to be effective for whatever purpose you want to serve.

The minister, I suggest, had the power, the possibility, the time, and if I may so without flattering, the talent to deal with this matter; but he lacked, if I may also say unflatteringly, the courage to deal with this problem which ought to be dealt with, and ought not to be delayed for another ten years. We ought to have had legislation in one document, or two separate documents, to cover the whole field of banking operations. Until we do that we are not dealing with the banking problem in the way it ought to be dealt with.

My second point, and I shall only deal with three in this legislation,—and I find this point disturbing,—is the fact that we are proposing an increase in the interest rate ceiling immediately to 7½ per cent. In view of the amendment made in committee where the formula for the removal of the ceiling is now based on a 5 per cent rather than a 4½ per cent floor for the debentures or securities we