

*Government Orders*

a new Bank Act. We were disappointed for two reasons. One, without a new Bank Act, the government's picture of financial system reform remains incomplete. Two, the current act expires in five months, and when the act expires banks lose their licences.

Last week, the minister did introduce a last-minute bill that would extend the current Bank Act one year until April, 1992. This will prevent the chartered banks from losing their licences, but this last minute piecemeal approach has been typical of the way this government has been handling financial reform and many other matters.

The government's policy process started about five and a half years ago. First there was the green paper in April 1985, followed a year and a half later by a blue paper in December 1986. That was followed by promise after promise after promise by this government that new legislation was coming soon. The industry waited and waited and waited. Soon, it turned out, meant not in six months, or even in 12, soon turned into four years, during which the Canadian financial industry watched their global market share tumble.

For example, look at the Royal Bank, Canada's largest. According to the Economic Council of Canada, the Royal Bank ranked sixteenth in the world in terms of assets in 1981. Today, it is around 57th. In nine years the Royal Bank went from being 16th down to 57th. Consider the fact that during the early 1980s we had four banks in the top 50. Now we have none. Even countries much smaller than Canada, such as Switzerland, Hong Kong, and the Netherlands boast larger institutions than our own.

Look at international loans. Canadian financial institutions make only 3 per cent of the world's international loans versus almost 8 per cent seven years ago. That is a tremendous decrease in the last eight years.

Any way you look at it, Canada's financial institutions are facing fierce global competition. It is a war out there, but this present government, has been allowing our banks and other financial institutions to go out and to compete with one hand tied behind their back.

That is why I am very pleased to welcome this legislation concerning trust and loan companies which we are debating today. There are several reasons why this new financial legislation is needed in Canada. I spoke briefly about the first one, globalization. The others include the Canada-U.S. Free Trade Agreement, Europe 1992, and provincial deregulation.

First, globalization. Financial institutions have undergone massive transformation in recent years. As technology has advanced, geographical barriers have retreated, turning several international markets into one huge global market. Billions of dollars can be sent around the globe in a matter of seconds, 24 hours a day.

The globalization of financial markets has been driven by the needs of both borrowers and investors. For corporate and government borrowers alike, the search for the cheapest source of funds has known no national boundaries. Like individual Canadian consumers, those corporations and governments are price-shy and they go where the money is the cheapest.

For large portfolio managers and other investors, the incentive has been better investment opportunities and greater diversification of portfolios.

Canadian financial institutions are well aware of the potential advantages in this new global marketplace. In fact, Canadian Bankers Association president, Helen Sinclair says Canadian banks have "made a virtual obsession of the question of their role in the global marketplace".

Another major issue highlighting the need for financial reform is the Canada-U.S. Free Trade Agreement. The FTA changed the rules concerning financial institutions in two major ways. One, American banks entering Canada have had the limits on their asset growth removed and they can now open new branches without permission from the government. Two, Americans can now buy up to 100 per cent of any Canadian financial institution, whereas before they were limited to buying a total of 25 per cent.

Also related to the free trade agreement is American Express. It received government approval to operate as a bank in Canada, even though the company is not regulated as a bank in the United States, which is an apparent contradiction of Canadian law. It is not a contradiction of this government's policies because if