

Continental Bank of Canada

IAC is seeking to move from what we might classify as the minor league to the big league in its attempt to become a bank. The reason is that IAC has pretty well expanded as much as it can under the present limitations that apply to companies of this sort. It is now restricted in the number of times it can turn over its money in the form of loans and mortgages, so it wants now to become a bank in order to get into the big league, a very profitable league indeed, I may say.

When we look at banks in Canada over the past few years, we see that because of higher interest and mortgage rates they have been doing very well. I do not blame IAC for wanting to join this league. What I do take issue with is the way they want to do it and the fact that they are attempting to gain exemptions from the Bank Act with which all other banks must conform.

When we look at the profitability of banks—and I am now looking at the first quarter increase in 1976 over 1975—we see that the Royal Bank had an increase of 31.6 per cent, the Commerce 54.1 per cent, the Bank of Montreal 50.7 per cent, the Bank of Nova Scotia 26.4 per cent, and the Toronto Dominion 26.7 per cent. That is just in the first quarter of 1976 over 1975. If we wanted to go back to the year previous to that we would find similar, but not as great, profit increases. We are concerned that if IAC is to get into that very profitable league we should make sure it abides by the rules. The point that also bothers me is that if Bill S-30 passes we are, in effect, going to create a tax shelter for IAC that may amount to anywhere from \$40 million to \$60 million over the ten-year transition period.

We have proposed a series of amendments, the first of which we are dealing with at this time. It is an attempt to make IAC conform to the Bank Act as it relates to directorships. Bill S-30 seeks to subvert that intent of the Bank Act. I should like to read the appropriate clause to illustrate that point. I will read clause 2(2) of Bill S-30. This concerns directors, and it reads:

A director of IAC Limited is not eligible to be a provisional director of the bank unless he holds, as the absolute and sole owner thereof in his individual right and not as trustee or in the right of another, not less than 500 common shares of the capital stock of IAC Limited, and the requirement in subsection 10(2) of the Bank Act that a provisional director of a bank be a subscriber for stock of that bank does not apply to a provisional director of the bank.

We have moved to delete clause 2(2) in order to make IAC conform to the Bank Act. What the clause says in the bill is that in order to be a Continental Bank director one must have IAC stock rather than bank stock. The IAC directors automatically are provisional Continental Bank directors, but they do not have to conform to the Bank Act which says they be subscribers for stock of the bank. If this bill is passed as it stands, and our amendment is defeated, we will then find that IAC gets around the very important provision in the Bank Act concerning interlocking directorships. We see a number of dangers in this. It was set out in the Bank Act that there could not be these interlocking directors, for a very good and proper reason. If you had interlocking directors they could quite possibly have access to privileged information about the company's policies or financial status that could be manipulated in the marketplace to the advantage of the bank. This relates to one bank or another, and it is this that we are very much concerned about.

● (1710)

When we look at the list of directors of IAC we find some very interesting names in the "Who's who" of the economic world. We have the following directors: Mr. F. M. Covert, director, Royal Bank of Canada; Mr. J. S. Dewar, director, Toronto Dominion Bank; Mr. C. F. Harrington, chairman and director, Royal Trust; Mr. D. Kinnear, director, Bank of Montreal; Mr. L. A. Lapointe, director, Toronto Dominion Bank; Mr. Charles Rathgeb, director, Royal Bank of Canada; Mr. Renault St. Laurent, director, Banque Canadienne Nationale; Mr. Thackray, director, Bank of Montreal; Mr. Yorath, director, Montreal Trust Company; and Mr. Courtois, director and vice-president, Bank of Nova Scotia. Those are some of the directors. There are many other directors of IAC who are involved with other companies. I would draw the attention of the House to two famous directors and raise an interesting point in relation thereto. One is Peter F. Bronfman, of Bronfman fame. We have heard of the Minister of National Health and Welfare (Mr. Lalonde) taking trips on his plane in the past. We have Mr. Bronfman among the list.

Mr. Abbott: I rise on a point of order, Mr. Speaker. I am sure the hon. member would not wish to be inaccurate in his statement. The Mr. Peter Bronfman to whom he is referring is in no way connected with the ownership of the corporate jet to which he referred in his remarks. I think it is wise to correct this. Just because someone has the same name and is related does not mean that he should share the association—

Mr. Roberts: Guilt.

Mr. Symes: Thank you. I welcome the correction. We find that Mr. Peter F. Bronfman is the president of Edpar Investments. He is also chairman of Canadian Arena Company and director of Trizec. Also, we have among the list a Mr. E. J. Courtois who is a director of a number of companies, most notably Trizec. He is also president of Canadian Arena Company. I find it very interesting, as have a number of other people, including senators on the banking and finance committee in that House, as well as many members in our own House, that Canadian Arena Company is now known as Carena-Bancorp. Carena-Bancorp is a holding company for certain Bronfman family trusts.

It is very interesting that Carena-Bancorp, prior to its becoming public knowledge that IAC wanted to become a bank bought a significant number of shares in IAC. The Senate Committee looked at that in some detail. One of the senators thought it was rather coincidental and asked if there was any prior knowledge on the part of Carena-Bancorp, because there were interlocking directorships here, of IAC's intention to convert to a bank. This was denied. I raise the example to illustrate that the reason we have a Bank Act is to ensure that we do not have these interlocking directorships and to allay public suspicion that directors can take advantage of inside knowledge of the affairs of financial institutions. The bill before us will permit those kind of interlocking directorships for a period of up to ten years. We think this is a very dangerous precedent and one which could raise many suspicions in the minds of the public, let alone the financial world, that these kind of dealings go on, the kind of dealings that are prohibited by the Bank Act in respect of other banks.