

Committee Reports

with its trust and trust-related activity of several billions of dollars more than that.

● (1650)

In order to understand the real justification and rationale behind our opposition we must understand what we are dealing with in terms of financial companies. At one time financial companies could be described as belonging to four separate pillars. This is commonly referred to as the four-pillar theory. One of those pillars was the insurance pillar, which broke down into property and casualty insurance companies and life insurance companies. Another pillar was the bank pillar, which included the chartered banks. They lent on commercial loans, which was their sole function, financing day-to-day commercial activities. Then there was the trust pillar which looked after estates and agencies, which transferred shares and kept share registers for people. It would look after one's mother's will, for example. Then there was the security dealer pillar, which traded in stocks and bonds in the market-place and made sure that new share issues were placed.

Time has gone by and there has been little, if any, leadership in the administration of financial intermediaries. The four pillars have become four hydrants. There is a merger of activities. All one has to do is to read the newspapers, listen to the radio or look at the television to be confronted with ads by one intermediary after another which state: "We will look after your mortgage". "Come in and get your car loan looked after". If one wishes to lease something, then they will look after it. Every one of these intermediaries will do the same thing, with very little restriction, except the type of restriction found in the Bank Act which prevents one's bank from leasing one an automobile. That does not prevent it from lending one the money to buy the automobile and then agreeing to buy it back when the term of the loan is over. That is another way around the Bank Act invented by the Royal Bank. However, they all do the same thing. They issue and sell debentures. They trade bonds in the market-place. They own, trade and invest in common stocks. They invest in preferred share issues and run T-bill accounts—every one of them. They will look after customer payments on Chargex, Visa or Mastercard. They allow one to apply and obtain an American Express Gold Card. They are all the same and they all do the same thing.

What we had better understand is that if they all do the same thing then the ownership rules governing them ought to be the same. Yet what have we got? We have an ownership rule for trust companies under which anyone can own a trust company. One can even be a drug store operator, apparently, and own a trust company. A mining company can own a trust company. What we have is a situation in which anyone can own a trust company and, presumably, a trust company can grow to any size under one owner.

We have a company called Canada Trust which is not able to use the word "bank" on its statements. Under normal parlance, it is a bank. It takes private placements. It places mortgages on commercial real estate. It owns real estate. It

rents that real estate out. It runs T-bill accounts, according to the little advertisement on the top of the morning paper. It will help one with one's investment portfolio. It will perform all sorts of services for its customers. It will do exactly what a local chartered bank will do for one.

An advertisement which it placed in the paper the other day, a two-page spread, stated that it is the fourth largest taker of domestic deposits in the country. If we consider its intermediary action we will see that it is the fifth or sixth largest financial intermediary in the country. It is larger than the National Bank. It is larger than the Bank of British Columbia. It is larger than the Continental Bank by far. Indeed, if we were to place all its trust activities together—and I ask Hon. Member to remember that in its trust activities it directs and controls those trusts which it manages—it is as large as the Toronto-Dominion Bank. If we take a look at its domestic activity as opposed to the banks' domestic activities, we will see that it is probably larger than the Bank of Nova Scotia or the Toronto-Dominion Bank in terms of their domestic activities.

There is a situation in place by which banks can be owned only to the extent of 10 per cent per shareholder. Yet this company can be owned by one shareholder. Why should this "bank" be held by one shareholder and the Toronto-Dominion Bank be held by a multitude of shareholders with no shareholder holding more than 10 per cent? Why should the Bank of British Columbia be in that position? It is a relatively small institution. Yet Canada Trust and Royal Trust can be held in a closely-held fashion. This is the situation which we must come to grips with as a country. This is something we attempted to come to grips with in the report of the Finance Committee.

I wish to say that the Tory majority on the committee was much more liberal in terms of ownership. We were prepared to say: "You can have large one-owner companies". Members of the New Democratic Party and the Liberal Party who sat on the committee would not go that far. Yet the present ownership which seeks approval revolts us. It is against the principles of what we think is necessary in the interests of Canada.

In our report, we wanted to come up with an ownership policy which would apply across the board in our report. That ownership policy would have said that until a company gets up to as much as \$10 billion—which is a great deal of money—the financial intermediary could be owned, closely-held, by one group of owners or by one owner. We feel that up until that \$10 billion stage the company needs the strength and backing of one owner in order to get going. However, as soon as it crosses the \$10 billion threshold, we feel it should cut back. When it crosses the \$20 billion threshold, it should be cut back again so that it is less than 50 per cent owned by one shareholder.

The company with which we are dealing is far over the \$20 billion mark, yet it is owned by one shareholder. When Imasco takes over it will be even harder to unravel. In the case of Genstar, at least, we have serious concerns about the way it