Again, in the opinion of some—for example, Guy Glorieux, the Director of Financial Services Research Program of the Conference Board of Canada—this could prove to be a decisive factor in strengthening the competitive positions over time, with the focus on over time. There is an element of expectation, hope and optimism in that. But, it would be of great interest to those involved in financial sectors to note that there is a counter position. It states that perhaps the international environment is not, in fact, truly market driven, and there should be concern for the restructuring for the wrong reasons. One estimate, in fact, points to only 20 per cent of foreign exchange related transactions linked to any real exchange of goods or services. The balance of 80 per cent relates to speculation and arbitration.

Under those circumstances, we should be very concerned about the belief that deregulation of financial markets will enhance the efficiency in the real economy, because these appear to be based more on pointing to the fact that others are doing the same thing, than on hard facts or demonstrable evidence, both of which may be lacking.

The international environment is vulnerable and, in the opinion of many, dangerously unstable. That condition has forced the IMF in a report dated 1989 to state that "the speed with which the disturbance has spread and the breakdown of geographic and functional barriers that potentially insulates markets are now leading to supervisory authorities in a number of countries to reassess the adequacy of prudential arrangements, both nationally and internationally."

• (1200)

In fact, one example of reassessment and re-evaluation of the direction for the financial industry is the risk involved in international environment. It is to be seen in the international security's business.

America's Citicorp spent, as an example, $1 billion building up its world-wide equity trading operation. Yet earlier this year it closed down the last part of this operation.

Another example: Normura Securities, Shearson Lehaman Hutton and Merrill Lynch all have scaled back their world-wide equities operations and that is as of this year.

What are we doing? With this bill, we are essentially acknowledging that we should be entering into a sphere that others are in rather warily. In my view, it is inappropriate to think in terms of an American market when we are talking, or at least giving an argumentation for the validity of a bill in an international scene.

In fact, more than one-third of Royal Bank's total loans are to American borrowers. One-quarter for the Bank of Montreal's total loans are again to American borrowers. So the propensity of Canadian lending institutions to be involved in an American market is there by virtue of the tradition of their business.

The international competition is a focus of the Canadian financial institutions and is more likely to be directed toward the United States, and not to Europe or Japan—that is to say the international scope—particularly given the Canadian banks' reluctance to invest in and a lack of activity in Europe over the last several years.

The financial restructuring that we are trying to accomplish with Bill C-83 is going to be more sensitive to the events that develop in the United States than on the international scene. The irony of all of this, Mr. Speaker, is that while we are moving into deregulation at a very quick pace, we are doing so at a pace that is much more accelerated than the one in the United States.

The present laws in the United States, as you will know, and other members as well, do apply to foreign financial institutions operating in the United States. The current laws are that banks cannot own securities firms and banks cannot own more than 10 per cent of commercial businesses, even though, of course, those banks are working their way around both of those regulations. The fact of the matter is that the regulations still do exist.

Canadian institutions wanting to operate in the United States are governed by such legislation. The irony here is that while we are taking the risk of initiating financial reforms to expand into the United States, it is not going to produce great fruit for us in the short run.

The financial changes to the institutions that we are proposing are going to make this market much more ripe for American involvement. The concern about the problem that the securities industry is having in competing in