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Chair

Mr. James Rajotte

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● (0900)

[*English*]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call the eleventh meeting of the Standing Committee on Finance to order. The orders today, pursuant to Standing Order 108(2), are for the beginning of our study on measures to enhance credit availability and the stability of the Canadian financial system.

We have two organizations with us this morning. First, from the Department of Finance we have Mr. Jeremy Rudin, the assistant deputy minister for the financial sector policy branch. Hopefully, momentarily we will have Mr. Tiff Macklem, the associate deputy minister, as well.

The second organization we have is the Business Development Bank of Canada. We have the president and CEO, Mr. Jean-René Halde.

Welcome to both organizations. I was going to start with Mr. Macklem, but perhaps I'll start with the BDC, and then we'll go to the Department of Finance second.

[*Translation*]

Mr. Jean-René Halde (President and Chief Executive Officer, Business Development Bank of Canada): Thank you for inviting me. I'm grateful for the opportunity to be here today.

[*English*]

I'm grateful for the opportunity to be here.

[*Translation*]

Part of your motion refers to access to credit for businesses. BDC can speak to this topic with a great deal of knowledge, and I am happy to do so. To begin, a quick reminder of BDC's three main activities: financing (term lending and subordinated financing), consulting and venture capital. While consulting is key to developing the skills of Canadian entrepreneurs, and venture capital is crucial to commercializing Canadian technology, I'll focus my remarks on business financing.

Through our 100 branches across the country, we have 1,800 people providing financing to businesses. Through our lending portfolio, which stands at close to $12 billion, we support 28,000 entrepreneurs. These clients in turn generate about $160 billion in sales, including about $22 billion of export sales.

Moreover, we have about 3% of the term lending market. This makes us small compared to other financial institutions. Our 100-branch network is modest compared to the 6,600-plus branches of Canada's 6 big banks. We have 600 account managers who speak to thousands of entrepreneurs every month, and this gives us a good feel for the pulse of the market.

Right now, we see two forces at work.

[*English*]

The first force is the recession. A great many entrepreneurs are hesitating to start new projects; entrepreneurs are delaying until they have a clearer sense of what the marketplace holds in store. As a result, we see a lower than normal number of entrepreneurs wishing to finance projects, and our pipeline of potential deals is shrinking.

The second force, on the other hand, is tightened credit conditions. This is the result of several factors: the exit from the marketplace of some non-deposit-taking institutions, the substantial reduction in the securitization market, a difficult bond market, and the difficulty for financial institutions of lending in an uncertain economic environment. So more entrepreneurs are coming to us for help than in normal times, and we are lending more. We will have authorized more than $3 billion in new loans this fiscal year, ending this month. One-third of the loans are going to the manufacturing sector. We're also seeing a much greater number of mid-size firms approaching us; transactions of over $5 million have increased 50% year over year.

Now, our branch employees are talking to their counterparts at other financial institutions more than ever before. In the first ten months of this year there were 15,000 contacts, compared with about 9,000 for all of last fiscal year. And these conversations have produced more than 1,200 referrals this year. So we are working to help as many entrepreneurs as we can; that's our role in good times and bad.

You'll recall that in November 2008 the government granted us a $350 million capital injection. We've thus far received $250 million, which we've already put to good use in the financing marketplace. We expect the other $100 million in April, and we'll use it for a new line of credit guarantee, which we're developing in consultation with financial institutions.

Now, the budget bill before Parliament contains two initiatives that involve BDC. The first is the business credit availability program, known as BCAP. It's a collective effort of Canada's big banks, EDC, and us to ensure that at least $5 billion in loan and credit support is made available to creditworthy businesses whose access to financing would otherwise be restricted. Representatives from all organizations have already begun to meet at senior and working committee levels to determine the best ways of doing so.

For large corporate clients, we'll start participating in syndicates to replace departing lenders. For mid-market-sized loans, financial institutions will share in an increasing number of commercial mortgage deals on a *pari passu* basis with us. For smaller deals where *pari passu* might be inefficient or costly, we will purchase participation in commercial mortgages.

I mentioned earlier that we're putting in place a line of credit guarantee program, the fourth thing we're working on. And, finally, we're exploring with some institutions a way to deal more quickly with small loans that would get declined as a result of those institutions' scoring systems.

So there's a lot happening. Collaboration with EDC and the banks is good, and we're seeing constructive partnerships being developed.

Now, I am aware that some people think that BDC is not acting fast enough or even lending enough. It's important for you to know that the people who work with me at BDC do so because they are motivated by our mandate to help entrepreneurs, and this motivation is why they, like me, join and stay at BDC. We're striving to help as many entrepreneurs as we can. But it's also crucial to remember that we are a commercial crown corporation, a bank, with a statutory obligation to do deals where there is a reasonable chance of success. What this means, unfortunately, is that we cannot help everyone who asks. I can assure you that every approach for financing gets a detailed review. Every entrepreneur who approaches us is given a chance to present their case. We want to help, and we understand the need for speed, but our commitment and desire to help come with parameters and responsibility, and we must seek creditworthy clients and commercially viable projects.

The budget also calls for the creation of a Canadian credit-secured facility to support the financing of vehicles and equipment for businesses and consumers—a very important initiative. We're working on this with Finance Canada, who are here this morning. We've put the consultation document on our website, and I've brought some paper copies if you'd like to review them.

● (0905)

We have started the public consultations and we've met with important stakeholders. We believe that we will finish the consultations early next week and then start drafting an action plan. As with the BCAP program, we are striving to launch this as quickly as possible, but financial facilities like this one, which may go up to $12 billion, are not created in a day. We're very aware of our responsibility to protect taxpayers' money.

In conclusion, no one at BDC, from our board members down to our front-line account managers, underestimates the gravity of the recession or the strain it's placing on business owners. All of us want to support them quickly, professionally, and well. Please know that we're doing everything within our power and means to do so.

● (0910)

[*Translation*]

Thank you for your time, I would be pleased to answer your questions.

[*English*]

The Chair: Thank you very much for your presentation.

We'll now go to Mr. Tiff Macklem. He's the associate deputy minister and G-7 deputy for Canada.

Thank you for being with us here at the committee.

Mr. Tiff Macklem (Associate Deputy Minister and G7 Deputy for Canada, Department of Finance): Thank you, Mr. Chairman.

I appreciate this opportunity to meet with you and members of the committee to discuss Canada's financial sector.

With me today is Jeremy Rudin, who is the assistant deputy minister of the financial sector policy branch at the Department of Finance.

I'd like to provide you with an update on evolving credit conditions, discuss Canada's unique position in this environment, and outline the steps the government is taking to maintain the Canadian advantage in global financial markets.

There's no question that Canada faces a very challenging economic outlook in a globally recessionary environment. This will have serious consequences for Canadian families and businesses. Canada is faring better than many other countries, in part because of our sound financial sector. Canada's banks and financial markets are functioning relatively well, in sharp contrast to elsewhere. The fact is attracting global attention.

Unlike in the United States, total business mortgage and consumer credit in Canada has continued to grow, albeit at a slower pace than in past years. Based on the most recent Bank of Canada weekly data as of December 2008, business credit provided by banks stood 13.2% above its level of one year earlier. Business lending by all financial institutions, including non-bank lenders, increased by 11.5% over the same period. Banks have increased both traditional business loans—up 11.2% year over year—as well as guarantees of borrowing undertaken directly by their clients.

Household lending has remained robust. Mortgage lending in December stood 10.7% above a year earlier, while total consumer credit rose 9.1% over the previous year. As of yesterday, four of Canada's major banks had reported first-quarter profits that exceeded expectations, despite these challenging economic times.

While modest compared to previous performances, these positive results stand in marked contrast to those in the United States, where banks collectively lost $26.2 billion U.S. in the recent first quarter.

[*Translation*]

To help understand these positive results, it is worth outlining some of the key factors underpinning the Canadian financial system and how they differ from the U.S. system.

To begin, Canada's banks and other financial institutions are well capitalized, and are less highly leveraged than their international peers. Canadian capital requirements for financial institutions are above minimum international standards and our banks have built up healthy capital buffers, above our higher standards.

Canada has also been well served by a cap on leverage. Where asset-to-capital multiples on large banks in Canada are in the teens, U.S. investment banks were in the 30s and many European banks in the 40s and even 50s.

The structure of Canadian financial institutions differs from the U. S. Large Canadian investment dealers have been bank-owned since the early 1990s and are regulated on a consolidated basis by the Officer of the Superintendent of Financial Institutions, or OSFI. Canadian households also have smaller mortgages relative to both the value of their homes and to their disposable incomes than their U.S. counterparts.

And last, the Canadian housing finance market does not have the large subprime component that led to the recent problems experienced in the U.S.

[*English*]

In spite of the strengths of our system, there is no question the dislocations in global credit markets have put pressure on access to financing in Canada. While the volume of business lending continues to rise, the terms and conditions available to borrowers have tightened, and some creditworthy borrowers are finding it difficult to access credit.

As the credit crisis intensified through the fall, the government responded with a range of facilities to keep credit flowing so households and businesses could get access to financing. The January 27 economic action plan introduced a number of new facilities in a coordinated package of measures under the extraordinary financing framework, which provides up to $200 billion in financing to Canadian households and businesses.

In general, the framework takes action to correct market failures in segments of credit markets, to mitigate systemic risks, and to prevent possible competitive disadvantage to Canadian firms as a result of the policy decisions taken by foreign governments.

Before I set out this framework, let me stress that these measures do not consume taxpayers' dollars. These are not bailouts. In effect, by providing liquidity, longer-term funding, and lending assurances to banks and other financial institutions, the government has accumulated a de facto investment portfolio, one that's earning close to 100 basis points on the dollar at little or no risk to the federal treasury. In the interest of brevity, I'll just mention several of the key measures.

The insured mortgage purchase program is buying up to $125 billion in insured mortgages from financial institutions. As of February 24, 2009, this program has provided $51 billion in financing to help banks continue to lend to Canadian consumers and businesses.

The government has enhanced the resources and scope of action to financial crown corporations so that they can extend up to $13 billion in incremental financing to Canadian businesses.

The Canadian Lenders Assurance Facility, which provides insurance on the wholesale term borrowing of federally regulated deposit-taking institutions, became operational last week. As conditions in financial markets improve, banks may not require this assurance, but as the Canadian Bankers Association put it, it's a useful tool to have in our tool kit.

Consultations have also begun on how to structure the Canadian Secured Credit Facility, which will support the purchase by the Business Development Bank of Canada of up to $12 billion in term asset-backed securities backed by loans and leases on vehicles and equipment.

In addition to the government actions, the Bank of Canada announced on February 23 a new term purchase and resale agreement facility for private sector instruments, which will allow eligible market participants with significant activities in Canada's private sector money and bond markets to obtain liquidity using a range of securities as collateral. This measure significantly broadens access to liquidity for a new group of market participants. And this morning the Bank of Canada further reduced their policy rate to 50 basis points, a new historic low.

As you are aware, the government is also pursuing other initiatives to strengthen our financial system. Past measures taken by the government have been important in dealing with the crisis. In particular, the change to borrowing authority in Budget 2007 allowed the government to provide liquidity to financial institutions when they needed it last fall.

The government, along with willing provinces and territories, is moving ahead to establish a Canadian securities regulator. And the government is enhancing the authorities of the Minister of Finance and the Canada Deposit Insurance Corporation to safeguard financial system stability.

All the measures I have described are consistent with our IMF and G-20 commitments to work with our global partners during these difficult economic times. Indeed, I have the honour of co-chairing with Rakesh Mohan, Deputy Governor of the Reserve Bank of India, the G-20 working group tasked with making recommendations to enhance sound regulation and to strengthen international standards in the areas of accounting, disclosure, and risk, and to help provide greater consistency for regulatory regimes. We are now writing a report in preparation for the G-20 leaders summit in London next month.

I can say with confidence that Canada's expertise in these matters is valued, and we are making an important contribution to the global financial system. As *The New York Times* put it last weekend, "Why not emulate the best in the world, which happens to be right next door?"

● (0915)

Mr. Chairman, I appreciate this opportunity and I look forward to your questions and those of the committee. Thank you.

● (0920)

The Chair: Thank you, Mr. Macklem, for your presentation.

We'll go to questions from members.

Mr. McCallum, you have seven minutes.

Hon. John McCallum (Markham—Unionville, Lib.): Thank you, Mr. Chair.

Thank you, Mr. Macklem and Monsieur Halde.

Congratulations, Mr. Macklem, for your position in the G-20. As you know, we Liberals have always pushed it; Paul Martin, in a sense, helped to create it, so we think it's a vital institution.

But I'd like to focus on the BDC. We have heard across the country that business is desperate for credit—which you alluded to in your comments—but we do not feel there's a sense of urgency on the part of BDC. A prominent business person, who didn't want to reveal his name, wrote to me that the government announcements on BDC and EDC, in and of themselves, don't get us very far. He said:

> So the real story question is what specific plans or measures they are taking to use this increased headroom to help small businesses and exporters, and on this EDC and BDC have announced absolutely nothing. The result is absolutely nothing is happening, except credit outlook for Canadian business has deteriorated to further record low levels, per Bank of Canada's latest survey.

When I read your remarks, Mr. Halde, it contains language that makes me nervous and tends to corroborate this view. Yes, you talk about the $5 billion that you may get out the door at some point, but you say, for example, "Representatives from all organizations have already begun to meet". Well, my goodness, of course they should have begun to meet the day of the budget. That does not reassure me one little bit.

On the next page you say, "We are also exploring with some institution a way to deal more quickly with small loans". Well, I should hope you're exploring. I would have hoped you'd already explored and been on the job. It's March. The budget was in January. We have a crisis.

Then I read, "So there is a lot happening: collaboration with EDC and the banks is good, and we are seeing constructive partnerships being developed". Wonderful.

So my question is a very specific one. I think businesses are desperate for credit. I think businesses want to know what specifically you are doing. If you have $5 billion in additional loans to make, I would like to know when that $5 billion will be disbursed in loans. For example, within 12 months of today, is it reasonable to suppose that all of the money will be lent? Within three months of today, how much of that money will be lent? I don't get the impression that either the government or BDC understands that we are in a crisis, so I would like to ask you, can you be specific as to the timing of that lending to small businesses?

Mr. Jean-René Halde: Well, I guess I beg to differ with you about the fact that BDC does not understand the need to move quickly. I guess I'd ask you to separate in your own mind the usual activities, the normal activities of BDC, and the special program referred to as BCAP.

The normal activities of BDC are up. Here are some statistics you might find interesting: in the automobile sector, we've increased our lending by 11.5% versus last year; in the forestry sector, we've increased our lending by 20%; in the tourism sector, by 6%. And you know as well as I do that these are very difficult sectors, ones that truly need help. And for our normal activities, we are busy recruiting some more people. There is as much going on as we can physically do presently on the normal side.

The second thing you're referring to is the BCAP, the business credit availability program, which came our way at budget time. It's an effort by all financial institutions, not just BDC, but EDC and us, jointly or collectively, to work together to try to do more. I've said to you that we have five projects under way with all of them. When we met with them, we asked, how can we help? They said, first, please step in on syndications when we have people, other players, who are no longer at the table. We're in the midst of doing that.

We have the five initiatives that I've mentioned, including purchasing, helping them to purchase commercial mortgages so that it frees up some capital for them. But these are all new initiatives, and everyone is beavering away at making sure these happen.

● (0925)

Hon. John McCallum: I don't want to interrupt you, except time is running out. I had a very specific question. You said there would be $5 billion in credit. How long will it take for that credit to be extended, and what proportion of it will be extended in three months' time and in six months' time?

I know you can't give absolutely precise answers, and I know you have to be concerned about creditworthiness, but I'd like you to be as precise as you can in telling us the timing of getting that money out the door. It's a situation that closely parallels that with infrastructure money: it doesn't do any good if the money is just sitting in your bank.

Mr. Jean-René Halde: We're all aware of that.

I can't speak on behalf of the financial institutions; I can't speak on behalf of EDC. What I can tell you is that on the ones we're involved with, we're running at 100 miles a hour to get this done. But it's also a function of whether our colleagues in the financial institutions, for example, will increase their number of referrals. If they increase the number of referrals, trust me, we'll do those loans.

So I'd hate to commit on behalf of a whole group on a number that, at this point, is difficult. I can only assure you that we're doing everything we can to do it.

Hon. John McCallum: Okay, I have one last question.

I've also been informed by a business person who went to the BDC immediately after the budget, and who was not currently a client of BDC, that BDC told him that if he was not currently a client he need not apply, because they were only considering existing clients. Is that true?

Mr. Jean-René Halde: That is not true.

The Chair: Thank you, Mr. McCallum.

We'll go to Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest (Saint-Maurice—Champlain, BQ): Thank you, Mr. Chair.

Good morning to everyone.

Both Mr. Halde and Mr. Macklem talked about the Canadian Secured Credit Facility. Both of you mentioned that consultations began last week. We have been told that the Business Development Bank has been given a mandate, but who will establish the program criteria?

Mr. Tiff Macklem: We have set up a working group comprised of representatives from the Department of Finance, the Business Development Bank of Canada, and the Bank of Canada which will be in charge of reviewing criteria. Representatives from the Bank of Canada have great experience in reviewing different types of assets to use as collateral, such as ABCP. The Bank of Canada has closely examined all sorts of rules to make sure that we are dealing with good credit, and they will be working on this issue with our two organizations.

Mr. Jean-Yves Laforest: It is believed that the program will accelerate or facilitate access to credit for individual consumers, when they are seeking a car loan, for example. Does it target individual consumers? Average working people today are facing difficulty obtaining a loan to buy a car, not because of their personal situation, but because of the current market conditions, or the recession. A year ago today, they would have been able to obtain the same loan. This problem does not affect only Canadians, but businesses and automobile retailers. How will the program actually work? Will it allow people to obtain a car loan?

Mr. Tiff Macklem: We have several programs that assist Canadian households. More specifically, the Insured Mortgage Purchase Program has helped households secure a mortgage. Our primary goal is to make sure that banks have access to credit, so that they in turn, can pass it along to Canadian households and businesses. Under the budget, the government has included complementary measures for banks, such as the facility we have just talked about, that can specifically help households buy a car.

● (0930)

Mr. Jean-Yves Laforest: Therefore, this program will help people receive the loan that they wouldn't have secured otherwise. You talked about mortgage loans. Will the Canadian Secured Credit Facility help people who have been having trouble obtaining a loan for the last six months? We are talking about small and medium businesses, but what about individual consumers?

Mr. Jean-René Halde: The goal is that once the objective is attained, it will become possible once again to obtain a loan or lease a car, just as it was possible in the past. There is some work to be done, but that is what we are aiming for.

Mr. Jean-Yves Laforest: What is the amount of $12 billion based on? The figure could have been set at $10 billion or $24 billion. Did the government define this amount in relation to the number of loans that are currently being denied? How many loans are applied for each month, and of that number, how many are denied?

Mr. Tiff Macklem: Generally speaking, the amount is determined based on the scope of the market. That is already a very significant sum of money. If the program that is now allowing the government to purchase mortgages is successful and if the crisis gets worse, it will be possible to increase the amount. The priority is to get the program up and running as soon as possible. There is work to be done.

Mr. Jean-Yves Laforest: Mr. Halde, you mentioned that you are beginning to meet with groups. Which groups are you meeting? Are you meeting with them in order to identify the needs?

Mr. Jean-René Halde: We are meeting with them for the purpose of understanding their needs. These groups are financial subsidiaries of the large automobile companies such as GMC or Ford Credit.

Yesterday, we met with rating agencies, such as DBRS and Standard & Poor's. Other consultations are currently underway. Consultations will be ongoing for another four or five days, for the purpose of understanding the needs of these people.

Mr. Jean-Yves Laforest: To date, what are these people telling you?

Mr. Jean-René Halde: For example, an institution will lease a certain number of cars to people. Somewhere along the way, all of these car leases are securitized, which allows them to obtain cash. That market has disappeared.

Mr. Jean-Yves Laforest: The securitization market?

Mr. Jean-René Halde: Since the securitization market has disappeared, these people can no longer lease cars, since they know they can no longer securitize. This is a problem.

The Chair: Thank you, Mr. Laforest.

[*English*]

We'll go to Mr. Menzies, please.

Mr. Ted Menzies (Macleod, CPC): Thank you, Mr. Chair, and thank you as well to the gentlemen who have presented here this morning.

Just to put this all in context, I think this is a very important study that we've taken on, a very timely study on measures to enhance credit availability and the stability of our Canadian financial institutions, and I think you're our lead witnesses in this, so this will frame a lot of our discussions as we go forward meeting with OSFI and the banks and all of the other institutions that impact our financial system.

Mr. Macklem, I would like to ask you some questions about our role and your comment in here in your second to last paragraph that "we are making an important contribution to the global financial system". Through consecutive governments.... I'm not going to take all the credit for this for our government, but all of our consecutive governments have recognized the need for regulation. I think Canadians need to hear that more often and more soundly as to why we're recognized internationally, why our financial institutions are in the good position they're in.

With regard to this role you're playing as co-chair with India in this G-20 leaders action plan, why was Canada chosen for that? Is it just our financial system? Are people looking at us with envy at the fact that we've kept regulations in place, necessary regulations in place? Can you explain a little bit of that role and perhaps just highlight what you expect out of the London G-20 coming up?

● (0935)

Mr. Tiff Macklem: Sure. I guess there are a few thoughts.

As we listen to the global discussion, there is clearly a wide range of opinion out there. There's no question that things need to change. This is a very serious crisis. There have clearly been regulatory failures.

Some players are looking for a very high degree of regulation. Some are looking for a grand global regulator. I think Canada is an example of a country that is market based and very open to trade. It has yielded tremendous benefits from trade and open financial markets, but has not had the kinds of problems we're seeing in the United States, the United Kingdom, and a number of countries in Europe.

I think that reflects a better balance in Canada between efficiency and stability. I think the Canadian experience is demonstrating that you can achieve the benefits of a dynamic, open, and market-based economy. Provided you keep a sufficient balance between stability and efficiency, you can avoid the worst of these financial crises.

As I mentioned in my opening remarks, a number of features of the Canadian system have served it very well. We have higher capital standards and our banks hold healthy buffers above those capital standards. I think the cap on leverage has been enormously important in preventing some of the worst excesses from building up in Canada. As I mentioned, Canada has a cap on leverage of 20 to 1, so this has prevented leverage from going up as you've seen in a number of other countries. The world is currently going through a very abrupt and painful de-leveraging financially. Many global banks are trying to get down to about the Canadian standards of leverage.

This is an opportunity for Canada to punch above its weight internationally. We have learned, as have many others in this crisis, that even if we get our own house right, we are being side-swiped by the failures of other countries. We all have globally a responsibility and an imperative to get the global system of regulation right, and Canada I think has a good message. Sound regulation starts at home. There needs to be international oversight to ensure that others are living up to their responsibility. There are some changes that need to be made and people are looking to Canada to draw on that experience.

Mr. Ted Menzies: Thank you.

Monsieur Halde, we talked about this business credit availability program. Mr. Macklem has given us the world perspective. We, as members of Parliament—and Mr. McCallum had the same thing—are getting calls from our constituents about how to get the same availability of credit they had 12 months ago. That's a concern. We don't have the answers. I realize that part of it is that we still don't have this budget through and I guess that's why some of the money isn't out. We're working with our colleagues across there to try to get this through as quickly as possible so you can react.

On this business credit availability program, the $5 billion, how does that work? How is that shared through multiple levels: EDC, BDC, and the banking system? Are the changes to your structure meant to be competitive to the banks to encourage the commercial banks to lend more? Is that going to actually encourage them to lend more? Can you give us a little insight into that, please?

● (0940)

Mr. Jean-René Halde: The answer is that the role of BDC is to be complementary to other financial institutions. It's to help out.

Let me try to focus on the key issues. In terms of helping the banks deal quickly with issues, we'll share deals with them so that it helps them preserve capital and thus lend more. We will purchase some of their existing participation in commercial mortgages. I say existing, but it's new ones, going back maybe a month or so. Again, that's in an effort to provide them with some liquidity.

We're developing with them as we speak—and we'll launch it within two weeks, or three at the most—an operating line guarantee for exactly the situation you're describing, where an entrepreneur will see his line of credit reduced so that it's no longer 75¢ on the receivables or whatever on the inventory. For the portion that's been reduced, we'll step in and provide an operating line guarantee to bring the entrepreneur back to where he used to be.

This is all happening as we speak.

The Chair: Thank you, Mr. Menzies.

We'll go to Mr. McKay, please.

Hon. John McKay (Scarborough—Guildwood, Lib.): Thank you, Chair, and thank you, witnesses.

You know that they say there are lies, there are damn lies, and there are statistics. I'm looking at the second page of your presentation, Mr. Macklem. It says here that the banks provided 13.2% above the level of one year earlier; for business lending by financial institutions, it's up 11.5%; banks' traditional business is up 11.2%; household lending is up 10.7%; total consumer credit is up 9.1%. You look at that and ask, well, what's the problem? Yet simultaneously you're shovelling money over to Mr. Halde to the point that he has a gag reaction. He can barely get the money out the door quickly enough.

We know that's not true anecdotally, because every one of us around here has heard from constituents who tell us that the banks are choking off credit. Mr. Halde's bank is generally regarded as the lender of last resort. So those three paragraphs don't live in the same universe with what we know to be anecdotally true and what we suspect is actually true.

Can you give us a reconciliation between the bank's propaganda line and what appears to be the reality?

Mr. Tiff Macklem: Yes, I would agree that those statistics are surprising. I certainly don't want to pretend that there isn't a difficult situation out there. As you pointed out, government is taking very extraordinary actions, and there must be a reason.

How do you square the circle? Well, it's bit of what Jean-René was indicating earlier. The banks are very much at the core of the financial system, but depending on how you measure it, they're about a quarter to a third of the financial markets in Canada now. Our banks have been very resilient through this crisis, and as those numbers show, lending is continuing to grow. However, it is certainly growing more slowly, and the year-over-year numbers do mask the fact that the growth more recently is slowing, so the year-over-year numbers are coming down. If you looked at the month-over-month or quarter-over-quarter numbers, they would be weaker recently, certainly. That is part of what is showing up in the anecdotal evidence.

I think the main thing that is showing up in the other anecdotal evidence is that parts of the financial system—the non-bank parts—are what are really scaling back. Jean-René mentioned securitization markets. They have scaled back dramatically, and in some cases they are virtually closed. That's an important reason that we've introduced this secured facility that Jean-René is setting up.

● (0945)

Hon. John McKay: Just let me interrupt you, because I have a very short period of time.

So for our purposes, should we be therefore focusing more on the non-bank sector than the bank sector?

Mr. Tiff Macklem: I think you want to focus on both, because the banks are certainly very much at the core of the system, and even if they aren't the core of the problem, they could be a bigger part of the solution. That's why they're working more closely with EDC and BDC, and that's why we have given them access to funding to ensure that they have the access they need so they can make loans.

Having said that, a lot of them are serious. The most dramatic problems are outside the Canadian banks. You've seen foreign banks pull back. Some foreign banks have closed; they've pulled out. Securitization markets are scaling back. That's bringing a lot of people who were dealing with non-banks, foreign banks, or in securitized markets into the banks.

The other thing to keep in mind is that it's not just the amount of credit; it's the cost. There's no question the cost has gone up. The conditions, the covenants on firms, have tightened dramatically, and a lot of what you're hearing reflects that.

Hon. John McKay: I agree with that.

I'm very comforted to know that the banks are actually producing profits these days. What gives me somewhat less comfort is that they're producing profits on the backs of Canadian taxpayers, because the Bank of Canada is lending.... Governor Carney has gone about as low as he can go, as of today. The concern has been among many that this money is not being passed on to consumers. In fact, the banks are borrowing cheaply and lending expensively. I wonder how your jaw-boning of the banks is working in terms of getting the full half point passed on so the central bank prime and the bank prime are the same.

The Chair: Very briefly, please.

Mr. Tiff Macklem: Obviously, the bank just made its announcement. There's typically a delay before the private banks react, so we'll see what they do. Certainly through this crisis, with I think only one exception, they have matched the cuts in the bank rate in terms of their prime rate. This is a private sector decision.

The Chair: Thank you.

Mr. Carrier.

[*Translation*]

Mr. Robert Carrier (Alfred-Pellan, BQ): Thank you, Mr. Chair.

Good morning, gentlemen, I listened to Mr. Macklem's presentation. As my colleague who spoke before me said, the Canadian financial system is highly spoken of. We are always comparing ourselves to our American neighbours. You talked about the reasons why our performance is better, here in Canada. I believe that you are right.

However, at the very end of your presentation, without any warning, you mentioned the fact that the government seeks to establish a pan-Canadian single securities commission. You did not provide any explanation for that statement. This is a major change that has not garnered any consensus among Canadians. This is certainly not the case in Quebec. We are, indeed, committed to preserving the Quebec Securities Commission so that we can determine our own priorities. To my knowledge, the system works very well. In fact, you provided the proof yourself.

How can you support the government's decision in such an indirect way? You did not provide any argument in support of the creation of a single regulator, and yet, this is a major change that the Government of Quebec stands against. In fact, the National Assembly of Quebec unanimously decided to oppose the creation of a single commission for the entire country. How can you say that the government is going to achieve this, as though everything will remain the same?

● (0950)

Mr. Tiff Macklem: This crisis began in the United States, and then spread to England, and then to other European countries. A major lesson to draw from this crisis is that fragmentation within the financial regulatory system will create shortfalls in many of the components of this system. In the United States, the problem began in the subprime market. The highly fragmented nature of the U.S. regulatory system is a major cause of the problem. Therefore, there was no overriding regulatory organization that had full oversight of all of the dimensions of the problem.

As I mentioned, our system performs much better. However, we must draw important lessons from this crisis, among them the fact that we must adopt a much more systematic overview of the financial system. We should have an overview of all markets, be they banks, other financial institutions, or financial markets. In Canada, the most fragmented system is the securities regulatory system. As Mr. Hockin pointed out in his report, there are many reasons underpinning our financial markets' efficiency, but it is important to maintain financial stability.

Mr. Robert Carrier: Did you carry out any study that proves that a unified pan-Canadian system will be more effective? In your presentation, you only dedicated a short paragraph to this issue.

Could you share with us some of the studies that show that some of the failures of the current system are caused by the existence of different commissions from one province to the next? We also have the passport system, which works very well.

Mr. Tiff Macklem: There are many studies. Mr. Hockin produced a report recently. In addition to that, there were expert studies that we submitted to Mr. Hockin's panel of experts. Many well-informed people have produced reports. Canada has a long history in the area.

[*English*]

The Chair: Thank you.

[*Translation*]

Mr. Robert Carrier: Could you send the clerk of the committee a serious report so that we can become familiar with the arguments?

Mr. Tiff Macklem: I believe that there are already many serious reports.

[*English*]

The Chair: Okay. Merci.

Mr. Wallace, please.

Mr. Tiff Macklem: To get back to Mr. McKay's question, I have one bit of information.

The Bank of Montreal, as well as CIBC and RBC, have already matched the bank's 50 basis point cut.

The Chair: John McKay is moving the financial markets as we speak here.

Thank you.

Mr. Wallace, please.

Mr. Mike Wallace (Burlington, CPC): Thank you, Mr. Chairman.

Thank you to our guests here this morning.

Mr. Halde, I want to ask you two or three questions. I also want to apologize for my colleagues across the way who were complaining about the budget, that it was presented in January and it's already March and you haven't put any money out. I want to know the process a little bit. Those Liberal members across the way have been speaking in the House on end about this motion that we're trying to get passed so we can get this budget in place. Speaking of propaganda, that was propaganda.

The issue that I have from a process point of view is if the budget eventually gets passed through the House, what is required for the money to actually flow to BDC?

Mr. Jean-René Halde: Just so we're clear, the money has started to flow. In November we were given $350 million, of which we got the first $250 million, and we're busy putting that to work as we speak. So that's happening.

● (0955)

Mr. Mike Wallace: What about the $5 billion?

Mr. Jean-René Halde: The $5 billion is the amount that we're going to be working together at putting out collectively, and some of that will be done relatively quickly. For example, as we purchase commercial mortgages so that, in turn, the bank can lend more, that can happen relatively quickly. There are some of them that can be done quite quickly. It's a bit hard to know exactly what date, given the number of us in this program.

Mr. Mike Wallace: The other question I had for you is on the Canadian secured credit facility, and the reason I'm asking this is because it's a direct question from a constituent of mine. I know you're still studying exactly what that's going to look like in terms of structure, but my reading of it is that it will only be available to federal or provincially designated financial institutions. Do you expect that money will be available to leasing companies? Do we have any sense of how that secured credit, the $12 billion piece, is going to work?

Mr. Jean-René Halde: We've agreed between ourselves and Finance Canada that Finance Canada would decide on the eligibility. As in all of our consultations, when the questions come up I turn them over to my esteemed colleague on my right.

Mr. Tiff Macklem: If a leasing company indicates that it's prepared to be federally regulated and begins the process, then it will be eligible. The process does take a period of time. We realize that credit needs to flow as soon as possible. As long as it begins the process, it will be eligible.

Mr. Mike Wallace: My final question is for you. First of all, I want to thank Mr. Carrier for stealing my question. I believe the studies that were presented about a single regulator were presented to this committee during the budget period, so that's not an issue.

In your statement, you say that these are not bailouts. Do you want to define for me what the difference is in what we're doing and why people consider them a bailout? In your view, what is the difference?

Mr. Tiff Macklem: To be really blunt about it, if we had to take a provision in the budget and it showed up in the deficit, then you'd be using taxpayers' money. It would be an expenditure, as opposed to an investment.

These are investments. In the case of the insured mortgage purchase program, for example, the government is buying high-quality mortgages. These are already insured by the Government of Canada as well as private sector insurance companies with the backing of the Government of Canada. There is no additional risk to taxpayers. The government is not buying toxic assets—there are all sorts of names for them—or legacy assets. These are good assets, good investments. And we're doing it to ensure there is access to funding and liquidity for our financial system so it will continue to lend.

The Chair: Thank you, Mr. Wallace.

We'll go to Mr. Pacetti, please.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chairman.

Thank you to the witnesses for appearing.

Just quickly, Mr. Halde, it's a nice story. You talk about the Business Development Bank of Canada and all the things you're trying to help. But let's not deny that you are a bank, and it does cost more to do business with your bank. You do run your bank like a bank; there are fees.

I'm talking maybe from a personal point of view. I have a constituent in the textile business who came in. They have been suffering for a number of years, but now things have finally turned around in their area. They're one of the few survivors. They're looking for additional financing. They have some firm orders because their facilities are in close proximity to the U.S. market. Here we have an example of a $100,000 loan where fees of $8,911 are being charged on an amount that was outstanding. It came to about $40,000.

I understand it's in special accounts, but there seems to be a problem. You are pretty well the lender of last resort, but you are treating people like you are a bank. I understand that you have to make money, but there doesn't seem to be a mechanism where people can come to the bank and say they want their case to be reviewed or have a second person look at it.

Am I missing something? If the business sector doesn't have the confidence that they can do business with you on the second round of these additional moneys to be lent through the business credit availability program, how am I going to feel at ease that you will be able to get that money out, not only to the right people, but efficiently and at a reduced cost?

● (1000)

Mr. Jean-René Halde: Thank you.

Let me try to address your question. First, we do price for risk. Our average client, by Standard and Poor's, might be a B-; our best client would probably be a B+, and some of them would be CCC. We're dealing with a risky clientele, and basically we price for risk. At the end of that process, we're making a very minimal return on equity with that.

Mr. Massimo Pacetti: Why do you say you're making a minimum? There is risk involved, and I understand that, but there are fees and there is a factor in the premium you're charging.

Mr. Jean-René Halde: Our loss rate is obviously much higher. Unfortunately, of the 28,000 clients we have, some of them do not make it.

Just to reassure you that we are listening, I have a statistic here. Last year we offered 4,500 capital postponements to entrepreneurs who were struggling because of the economic situation. We provided them with the ability to pay the interest and postpone the repayment of capital in an effort to help them through a tough time.

If any client feels that the decision is improper, we have two systems. One is that he can ask that this be reviewed by someone more senior. If a person feels, for whatever reason, that he has been treated unfairly—and thank God not many people believe that—we do have an ombudsman, to make sure that there is absolute impartiality.

Mr. Massimo Pacetti: That's what I was looking for. Is the ombudsman in the annual report?

Mr. Jean-René Halde: Yes.

Mr. Massimo Pacetti: Okay, so you'll be able to provide me with the....

Mr. Jean-René Halde: I'll be happy afterwards to provide you with the name and so on, and we'll be happy to review the account.

Mr. Massimo Pacetti: Thank you, Mr. Halde.

I have a quick question for Mr. Macklem. On the $200 billion in the extraordinary financing framework, from your testimony I calculate $125 billion for mortgage, $13 billion for the crown corporations, and $12 billion for BDC. I'm missing $50 billion.

Mr. Tiff Macklem: To get to $200 billion, there is $40 billion of extraordinary liquidity provided by the Bank of Canada, and $10 billion is CMHC. Canada Mortgage and Housing Corporation—I think it was in November—introduced a new 10-year Canadian mortgage bond. This is a securitized bond of pools of 10-year mortgages or of a 10-year duration, which is guaranteed by the Government of Canada and sold into the private market.

Canada has the only mortgage securitization market, really, that's working in the world, and that's because we do it with a government guarantee. So that is a way that basically banks can fund their mortgages.

Mr. Massimo Pacetti: I'll come back and ask another question. Thank you.

The Chair: Thank you, Mr. Pacetti.

Mr. Kramp, please.

Mr. Daryl Kramp (Prince Edward—Hastings, CPC): Thank you, Chair, and good morning, gentlemen.

I have a bit of difficulty with the one statement that you mentioned, Mr. Halde, and that of course is that your role is to be complementary to traditional financing. While that is admirable, and obviously I think that may be a prudent way to go, the reality is that in many parts of Canada, and particularly in rural Canada, there is no access to traditional financing—limited to none. As such, obviously, if they have no partner to start with, that leaves you not able to participate. We've seen this on many occasions when people have gone to the BDC and they've asked, “Where is the partner involved?” Have you had any thought in your deliberation, in your management, to give that any consideration?

● (1005)

Mr. Jean-René Halde: I'm not sure I fully understand the question, to be fair. Did I hear the word “rural” in the question?

Mr. Daryl Kramp: Yes, you heard the word “rural”. In most cases BDC is not a player in rural financing.

Mr. Jean-René Halde: Correct.

Mr. Daryl Kramp: And one of the simplest reasons, of course, is not because they're not there, but they need a willing partner, and traditional financing is not available to rural areas. So we have a bit of a box here. Does that mean you are not going to participate, or you're not able to go as a stand-alone yourself?

Mr. Jean-René Halde: We can certainly go stand-alone ourselves.

Let me try to respond. We have 100 branches across Canada, quite candidly, most of them in relatively large or medium-sized urban centres, very few in the more remote community. What we do have, though, is an alliance with the SADCs—the community futures, CFDCs in English. We have about 262, I believe, alliances with them. So we try as best we can to extend the reach to those smaller communities through the CFDCs; they bring us the bigger ones that honestly they don't feel comfortable doing, and that certainly helps.

As far as rural areas are concerned, as you well know, a lot of that is being handled by Farm Credit Corporation. That's much more their balliwick than ours.

Mr. Daryl Kramp: I have two thoughts.

You mentioned the CFDCs, which I'm pleased you did, as a willing partner. When we were talking about default rates, you mentioned that BDC, obviously, has a higher default rate, where in reality the CFDCs have a lower default rate than even the chartered banks. For most cases it is because, of course, they're naturally volunteer-driven at the local level. They can make intelligent decisions based on facts they have right in front of them on a consistent basis.

Would it not then make sense to saddle up your responsibility even more to the CFDCs than some of the chartered banks in a lot of these rural areas?

Mr. Jean-René Halde: We're working very hard with the CFDCs. We're trying to really work in harmony with them, so they can refer as many as they possibly can to us and we'll be happy to help.

As I said earlier, we are working with the financial institutions, so if they're not comfortable with something and they think we should be participating, we'll be more than happy to do that. That's our role.

Mr. Daryl Kramp: You mentioned the situation, of course, we have with departing lenders. This is anecdotal evidence once again from a number of constituents. We have particular corporate clients who are losing their traditional funding, be it foreign banks or hedge funds or whatever. Already a client with BDC and other partners, they are viable, solid, working along, and when requested to participate obviously in relieving some of the pain from the departure of funds, they have been told, “It's not a question of whether or not you're viable; we don't have the portfolio fund to be able to do that.” Now, is that correct?

Mr. Jean-René Halde: That certainly is not correct. We'll be happy to help if we think it's an appropriate file.

I'll give you a very simple example. We're in the midst of financing three fish-processing vessels that were being worked on by Glitnir Bank of Iceland in Newfoundland. Glitnir Bank basically disappeared. We're stepping in to finance the three vessels. As well as we can, when there is a gap, we try to step in.

The Chair: Thank you.

We'll go to Mr. McCallum.

Hon. John McCallum: Thank you. I'd like to ask Mr. Macklem a question related to the soundness of the banking system in Canada, with which I agree, at least in relative terms. My question has to do with the proposed merger ten years ago. I've heard the theory that turning down the merger, arguably—I'm not putting this, but I've heard the view—contributed to this financial stability. As you may know, ten years ago, when the merger was proposed, I was the chief economist for the Royal Bank and at the time was in favour of the merger. But I remember, thinking back, that there was language about going global, kicking butt, growing up to be like Citibank—and we all know what happened to Citibank.

My question to you—and I realize it's speculative and can't be answered definitively—is with the benefit of ten years of hindsight, do you think that in terms of maintaining a low risk profile for the Canadian banking system it was perhaps a prudent move for the government to turn down those mergers and thereby perhaps reduce the overall risk to the system?

● (1010)

Mr. Tiff Macklem: It's certainly true that if you go back a few years, the Canadian financial system was criticized: it wasn't sufficiently dynamic and innovative; it wasn't keeping up or leading-edge; size was critical to success on the global front; if you looked at the relative rankings of Canadian banks, there were no Canadian banks in the top 25 banks in the world.

I think certainly with the benefit of hindsight, Canada, as I mentioned in my opening remarks, did a better job of balancing stability and efficiency. When you look at that over the cycle, that has allowed our system to perform better.

A recent *Financial Times* article called Canada boring, and said the world needs more boring. I think there is a lesson there. If you look at Canadian banks now, it changes every day, but the last time I looked we had at least two banks in the top 25 in the world. This is on the basis of market capitalization. Obviously our own banks' market capitalization has shrunk quite a bit, but others in the world have shrunk a lot more. So our banks are now actually quite large in the world.

Hon. John McCallum: Working around that language, it seems to be a qualified yes to the idea that it might have been....

Mr. Tiff Macklem: I'll let you decide on where I am. I think the message is clear that the Canadian example of putting more weight on stability has served this country well.

Hon. John McCallum: Thank you.

The Chair: Thank you, Mr. McCallum.

Mr. Macklem, I have a note that you have to leave at 10:15, but Mr. Rudin will be staying. Is that correct?

Mr. Tiff Macklem: Yes, I'm sorry, I do have to leave. I can take one more question.

The Chair: Before I go to Mr. Dechert, I want to ask one brief question. On the bottom of page 3 you say the “Canadian housing finance market does not have a large sub-prime component that led to the recent problems experienced in the U.S.” Are you concerned at all about the banks' liabilities in the U.S. that are owned by Canadian banks?

Mr. Tiff Macklem: Your question is about Canadian banks that have activities in the U.S.? That certainly is something that OSFI has been looking at closely. I think we're satisfied that they've managed those risks. Obviously it's been a more dynamic market, and the banks do need to manage that. I think we're quite confident that our banks are sound.

The Chair: Thank you.

Mr. Dechert.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Mr. Chair.

I want to thank both of you gentlemen for your presentations today. A lot of people have spoken very favourably about the Canadian secured credit facility that was proposed in the budget. I think it bears repeating that none of that money will be spent until the budget is passed, something that all of us here at Parliament have to proceed with as soon as possible.

You both mentioned that you are in the process of consultations right now with the public on the structure and the criteria for that facility. I'm wondering if you could give us a summary of some of the things that are being considered, and some of the submissions that you've heard on both the structure and the criteria for how the funds, as you might see them, will flow?

Mr. Tiff Macklem: I'll let Jeremy speak to that, as he's on the front lines of that one.

I'm afraid I'm going to have to leave. Thank you very much. I appreciated the opportunity to be here.

The Chair: Thank you.

Mr. Rudin.

Mr. Jeremy Rudin (Assistant Deputy Minister, Financial Sector Policy Branch, Department of Finance): Thank you. I'd be glad to respond. And perhaps Mr. Halde, who is participating in the consultations at least as much as I am, will add something. We'll see.

The organizing principle of the facility is that it's going to purchase securities. They are called term asset-backed securities. These are pools of loans or leases secured by vehicles or equipment.

We want the facility to have a near term and significant impact on access to credit in the market—on which we had a question earlier. These will be loans or leases where the underlying clients will potentially be households, and potentially firms as well.

We also want to design the facility in such a way that it will help, if at all possible, to restart the securitization market and to return financing from this area more to the private sector than the public sector. And to the extent possible, we want to design the facility in a way that it reduces the likelihood of a future episode like this, where the government is obliged to step in to reduce the severity of these episodes. We don't want these considerations to slow down the facility unnecessarily, but want it to have a significant impact in the near term.

● (1015)

Mr. Bob Dechert: Which institutions do you see as selling these portfolios to the government?

Mr. Jeremy Rudin: The institutions that have spoken to us and have the most interest are the financing arms of the automakers, both Detroit-based and others. There's also interest from leasing companies, more generally, who do automotive leasing. There is also interest from equipment leasing companies as well.

Mr. Jean-René Halde: Just so you understand the discussions, the challenge for us is to buy triple-A paper, so there's no risk for the Canadian taxpayer. The challenge is how do you make some of that paper triple-A, given the uncertainty of the various automobile manufacturers? That's what we're trying to address as we speak.

Mr. Bob Dechert: Thank you very much.

The Chair: Thank you, Mr. Dechert.

We have Mr. McKay.

Hon. John McKay: My first question is to Mr. Rudin. You put out a $125 billion insurance program for insured mortgages and $51 billion has been picked up. When the banks are assigning you this $51 billion worth of mortgages, how closely do you examine the quality of the paper you're receiving? To put it in a blunt way, how do you know you're not just getting a pile of junk?

Mr. Jeremy Rudin: We're purchasing mortgage-backed securities guaranteed by the Canada Mortgage and Housing Corporation. These are the same sorts of securities that are purchased on the market. Sometimes they are purchased as NHA mortgage-backed securities, which have mortgage-like flows, and sometimes these are put together into what is called the Canada mortgage bond, a fixed-rate bond, which has payments that are more like a five-year Canada bond than a mortgage-related flow.

So all of the underlying mortgages are insured against default in the first step. They may be insured against default when they are originated, because federally regulated financial institutions are obliged to ensure against default on any mortgage for which the loan-to-value ratio is 80% or above at origination.

We also have lower ratio mortgages in there too. Again, those are all insured against default as a first step. That happens through what's called portfolio insurance, where the lender brings either to CMHC or to one of the private insurers a portfolio of loans, which is examined loan by loan, and then a price is negotiated to insure the portfolio.

Hon. John McKay: Are you getting stuff that's below 75% of appraised value in your bundles?

Mr. Jeremy Rudin: There are both high-ratio and low-ratio mortgages, but they're all insured against default in the first instance by either CMHC or one of the private insurers.

Hon. John McKay: So even on the low-risk mortgage, you're getting insurance from a private insurance company.

Mr. Jeremy Rudin: That's right, or it's from CMHC.

Hon. John McKay: The trouble with your high-ratio stuff is it's really government insuring government. The CMHC is government and it's insuring government. In some respects that's just sort of a circular type of insurance, isn't it?

Mr. Jeremy Rudin: The purpose of the insurance requirement, and CMHC's normal operation in the market, is to provide default insurance for privately originated and privately held mortgages. We are doing something quite exceptional in purchasing those mortgages.

The CMHC insurance program and the private insurance programs are already there. As you said, the government has already taken on all, in the case of CMHC, or most, in the case of the privately insured mortgages, of the default risk of these mortgages in the normal course of the operation of these insurance programs. Therefore there isn't an additional risk taken on by the government in purchasing the mortgages.

● (1020)

Hon. John McKay: The government has the risk in the first place, so it ends up having the risk.

Mr. Jeremy Rudin: Your question was how do we know we're not getting junk. So through the process of insuring mortgages, all the high-ratio mortgages are examined by the insurer on a loan-by-loan basis, and they have to meet the underwriting criteria of the insurer, whether it be CHMC or the private insurer. Then low-ratio loans are considered as a portfolio, but each individual loan is examined. In some cases, if the insurer is brought 1,000 loans, it will agree to do 950 of them.

Hon. John McKay: Thank you.

The second question has to do with asset-backed commercial paper. I'm not sure if it was the Department of Finance or the Bank of Canada that recently picked up about $3.5 billion worth of.... Well, I'm not quite sure whether they picked up the paper or whatever. It's kind of a curious situation, because most of the loss happened with the Caisse de dépôt et placement du Québec, which prefers to be regulated provincially, and yet the federal government picked up the liability.

So when you book that $3.5 billion, do you do it on the asset side of the equation or on the liability side of the equation for the purposes of government?

Mr. Jeremy Rudin: You're referring to the non-bank-sponsored asset-backed commercial paper, for which the market froze in August 2007. A restructuring plan was devised for it by the private participants, and the deal finally closed in January of this year. The role of the federal government, in cooperation with the provinces of Quebec, Alberta, and Ontario, was not to purchase any of the restructured notes, but to participate in what's called a margin funding facility.

I don't know how long the committee wants to spend on this.

Hon. John McKay: I'm more curious about whether that ends up being a liability or an asset.

Mr. Jeremy Rudin: It is a contingent liability of the government, for which the government is being paid a fee.

The Chair: Thank you.

Mr. Rudin, if there's anything further you want to provide to the committee as background, please feel free to do so.

Monsieur Laforest.

[*Translation*]

Mr. Jean-Yves Laforest: Thank you, Mr. Chair.

My next question is for Mr. Rudin. Earlier, Mr. Macklem told us that the global financial problems and the current recession are in large part due to the subprime market loans in the United States. In response to a question asked by my colleague on the government's intention to create a single securities commission, he said that there was no such organization that had an overview of the system in the United States.

Does that mean that this situation has not been rectified in the United States, where the problems began? In the U.S., are there securities commissions that are equivalent to the ones that exist here today?

Mr. Jeremy Rudin: To my knowledge, there is of course the Securities Exchange Commission in the United States. I believe that a few states hold responsibilities, but there is a single commission. You are right to tell me that despite its existence, the national regulatory securities commission was unable to prevent the problems that occurred in the United States. That does not mean, according to the government, that we cannot improve the Canadian situation by reducing fragmentation within our country's securities regulatory system. Nonetheless, there is no silver bullet to prevent any problem from happening, and the evidence is before us.

Mr. Jean-Yves Laforest: In response to the question asked by my colleague, Mr. Carrier, Mr. Macklem did reply that one of the major causes of these problems was the absence of a central organization in the United States, that enjoyed a broad overview. Yet, you are stating the contrary. There is a single commission, but it was unable to see what was going on and actually have a broad overview. The Securities Exchange Commission in the United States was unable to prevent the initial problem of subprime mortgages from occurring.

The government and the Department of Finance are both claiming that a single securities commission is the answer to the analysis of the problems we are having. You will admit that this is rather strange. In 2006, when there wasn't a recession on the horizon, the government had expressed its intention to create such a commission. It's rather specious to use that reason today.

● (1025)

Mr. Jeremy Rudin: Firstly, Mr. Macklem was making reference to regulating mortgage markets in the United States, and not securities regulation. He was right in saying that regulation in the mortgage market is highly fragmented in the United States, and that the problems being experienced there are a direct result of this fragmentation.

A lack of coordination and fragmented regulation of the mortgage market in the United States created the problem. That is a lesson we can learn. The American government is now setting up a mechanism to standardize mortgage market regulation.

Secondly, you are right in saying that even before the financial crisis, the federal government supported the creation of a single securities commission. The reasons which have been cited on many occasions, even as recently as in Budget 2007, include increased effectiveness, better protection for investors, and the possibility for Canada to speak with one single voice on the international stage. Based on our experience, the financial crisis would be one additional argument to justify this proposal.

Mr. Jean-Yves Laforest: And yet, the IMF gave the Canadian system a positive assessment, mainly because of the improvements made to our passport system.

Mr. Jeremy Rudin: The federal government acknowledged that there were recent improvements, but it is now proposing an additional improvement, in the form of the creation of a single commission.

The Chair: Thank you, Mr. Laforest.

Mr. Bernier.

Hon. Maxime Bernier (Beauce, CPC): Thank you, Mr. Chair.

Mr. Rudin, in your presentation, you spoke at length about bank ratios. You stated that capital requirements for financial institutions in Canada is 20 to 1, which is a very good ratio compared to the multiples of the banking institutions in the United States and in Europe, which are in the 30s, 40s and 50s.

Why is the cap on leverage for our Canadian banks so good? Is it due to Canadian regulation, or the Canadian market? How is it that a European bank can have a ratio as high as 50 to 1? How can you explain such large spreads in ratios? I was under the impression that international regulations on capital requirements applied to all financial institutions in the world. Yet, the ratios vary. There has been much talk about the Basel agreement, for banks that regulate the banking system. Should banks not be held to a minimum ratio internationally?

I would like you to provide me with explanations regarding the asset-to-capital multiples.

Mr. Jeremy Rudin: The Basel agreement, signed onto by Canada and most other countries, deals with needs, or regulations on asset-to-capital ratios based on the risk inherent to those assets.

For example, the risk associated with assets such as a government-insured mortgage would be zero, because there is no underlying risk. In such a case, by specifically choosing assets and risk, a bank may end up with a ratio, or an asset-to-capital ratio that is quite high, even though under the Basel agreement, it is rather low.

In Canada, we have a system that builds in limits on asset-to-capital ratios based on risk, the very straightforward cap on leveraging. It is a system with safeguards and buffers that does not even exist in most other countries of the world, and one which Canada has benefited from.

● (1030)

Hon. Maxime Bernier: Do you believe that this system will be emulated by other countries, following this economic crisis?

Mr. Jeremy Rudin: Mr. Macklem talked about the discussions being held by the G20. Ideas are being circulated. Of course, a cap on leveraging is one of the ideas being considered. This is mainly because Canada has had a relatively better experience than most other industrialized countries.

Hon. Maxime Bernier: Thank you.

[*English*]

The Chair: Merci.

Mr. Pacetti, please.

Mr. Massimo Pacetti: Thank you, Mr. Chairman.

I just want to continue where I left off last time with Mr. Macklem and Mr. Rubin. Regarding the extraordinary financing framework, Mr. Macklem stated there were about $40 billion put towards lending facilities. I wasn't clear on what that $40 billion was for.

Mr. Jeremy Rudin: As I recall, you were looking for the last $50 billion of the $200 billion. An extraordinary liquidity provision by the Bank of Canada accounts for $40 billion of this. The $40 billion is a round number; this peaked at $41 billion in the fall and currently stands in the $30 billion range. The additional $10 billion is through the new 10-year Canada mortgage bond.

Mr. Massimo Pacetti: What exactly is that $40 billion? Now you're saying it's at about $30 billion, but what is it?

Mr. Jeremy Rudin: The Bank of Canada maintains a number of facilities, and it recently announced the creation of a new facility, by which they provide liquidity; so they lend, essentially, on the basis of security posted by financial institutions and other investors. This is done very much on a demand basis. So the bank will say they're willing to lend up to *x* amount, the rates are established by a competitive auction process, and the amount that goes out the door is a function both of the limit the bank is willing to establish and how much institutions are interested in drawing on these facilities.

Mr. Massimo Pacetti: How much would it have been before the extraordinary framework was available?

Mr. Jeremy Rudin: Well, before this period of turbulence beginning in August 2007, the Bank of Canada was not providing any extraordinary liquidity. It did provide liquidity on the normal basis, which helps banks essentially settle their cheque clearing and other things, but it wasn't doing anything out of the ordinary. This began after what we called the financial “turbulence” then, “crisis” now, began in August 2007, and has been ramping up and peaked. The usage of these extraordinary facilities by financial institutions peaked in the fall, not long after the failure of Lehman Brothers, and has since been receding to some extent.

Mr. Massimo Pacetti: Is the $30 billion the maximum, or is it $30 billion plus what we gave last year and in 2007? That's what I'm wondering.

Mr. Jeremy Rudin: These facilities usually have various durations that are relatively short. Some of them say an institution can borrow from the Bank of Canada overnight, sometimes for 30 days, sometimes for 90 days. The $41 billion peak was the total outstanding, which would have had a variety of terms, and some of it has rolled off and then not been renewed at the initiative of the financial institution that had taken advantage of it.

So it's not that the bank is withdrawing access. The limit is there, and financial institutions have been reducing their use of it relative to the peak in the fall.

Mr. Massimo Pacetti: I'm just trying to understand what the Government of Canada is at risk for, because anything can happen. We're not sure. The wheels seem to be falling off the car.

We can look at what happened with AIG, where $60 billion was put in and now another $13 billion or $15 billion seems to be required. We're now talking about billions as if they're quarters or dollar pieces. People are saying that the $60 billion is money that the American government threw away.

Mr. Jeremy Rudin: Yes.

Mr. Massimo Pacetti: I want to focus on the Canadian government, because I'm seeing here that there may be a need for another round of mortgage backing. If we look at how much we're on the hook for in real estate, we're over a trillion. If the real estate market goes down 10% or 20%, we're going to be on the hook for the exposure to Genmark, AIG, and CMHC. That's going to require a couple of billion dollars. That might seem like chump change, but I think it's quite important to the average Canadian citizen.

There is talk that pension moneys may need to be backed or guaranteed. As for financial institutions, the banks are okay, but I don't think there are just banks out there. There are also other institutions that may need to be boosted.

I'm not sure what else there is out there. There are tons of things. That's one of the reasons we're having these hearings. This is not just about stability now, but future stability. What role is the Government of Canada going to play, and how stable will you maintain the financial market?

Let's talk dollars.

● (1035)

Mr. Jeremy Rudin: I'm sorry?

Mr. Massimo Pacetti: Let's talk dollars. How much are we potentially on the hook for?

Mr. Jeremy Rudin: Let's talk dollars? Okay.

The Chair: As briefly as you can, Mr. Rudin.

Mr. Jeremy Rudin: One of the important principles underlying the extraordinary financing framework is that the risk to the taxpayer is to be controlled and minimized. As we were discussing, in the insured mortgage purchase program, there isn't an additional risk posed to the taxpayer other than the risk that is already there through the operation of mortgage insurance, either by Canada Mortgage and Housing Corporation or the private insurers.

As for what protection the taxpayer has, because the taxpayer, as you've pointed out, is exposed as the proprietor of Canada Mortgage and Housing Corporation, it is the underwriting practices of Canada Mortgage and Housing Corporation, it is the fees they receive for insuring, and it is the reserves they have established, all of which are substantial.

The Bank of Canada facilities are secured lending facilities or repurchase facilities, whereby a financial institution can receive cash and post collateral, effectively, although some of them are done on a purchase basis, and they can borrow only a fraction of the value of the collateral posted. The difference between the value of the collateral and the amount you can take away is called the “haircut”, and the haircuts are established so as to protect the bank, and then the Bank of Canada and the taxpayer as the proprietor of the Bank of Canada, against the potential losses through the default of the borrower. If the borrower is unable to repay, the Bank of Canada would take the collateral. The collateral is worth more than the underlying loan, so this is the protection for the taxpayer.

When we—

The Chair: I'm sorry, Mr. Rudin, but we're way over time here.

Mr. Jeremy Rudin: I understand.

The Chair: Thank you for that.

We'll go to Mr. Menzies, please.

Mr. Ted Menzies: Thank you, Mr. Chair.

Just as a point of clarification, Mr. Rudin, further to your answer to a question from Monsieur Laforest a few moments ago, who was asking about a common securities regulator, I know the sensitivities that the Bloc raise about this, and I remind them that what we're suggesting is voluntary. We're not forcing it down anybody's throat.

On your answer to that question, correct me if I'm wrong, but my understanding is that there is a common securities regulator in the United States, that being the U.S. Securities and Exchange Commission. Could we just clarify that? Also, how do we fit with our other trading partners in the G-7 and G-20 by not having a common securities regulator?

Mr. Jeremy Rudin: Canada is the only country I'm aware of, and certainly the only industrialized country, that does not have a common securities regulator nationally. One of the issues that this raises, as we discussed, is the fragmentation in Canada and the inability, even with the best will and the best people if they're available, to come to quick decisions and to respond quickly to events as they develop, because of the need to coordinate across 13 jurisdictions.

The other thing it does is that it makes it impossible for Canada to speak with one voice in the international fora that look at securities regulation, in particular IOSCO, which is the international association of securities regulators, where no one is speaking for Canada at present.

Mr. Ted Menzies: Just to clarify then, the U.S. does have a common securities regulator, that being the SEC?

Mr. Jeremy Rudin: Indeed.

Mr. Ted Menzies: I think I have another minute here.

One of the reasons that I see and that I support is what we've heard in many different areas about lack of prosecutions for those who get outside the law, if you will, with people's investments. I think that's why we're pushing this forward—to protect investors. I think there's quite a difference between actual prosecutions in Canada and those in the U.S.

● (1040)

Mr. Jeremy Rudin: As I was saying to Mr. Laforest, the government's position in favour of the common securities regulator, as he pointed out, predates the financial crisis. The financial crisis certainly adds some impetus to this, in the government's view. Among the other advantages of the common securities regulator, in the government's view, is making enforcement more effective by having a single national set of laws and regulations that can be acted upon more effectively.

Mr. Ted Menzies: Thank you.

The Chair: Thank you, Mr. Menzies.

We'll go to Ms. Hall Findlay, please.

Ms. Martha Hall Findlay (Willowdale, Lib.): Thank you.

Thank you very much for your time today.

I had to step out, so if I'm repeating anything, my apologies.

I did have a question. There was a discussion earlier with Mr. Macklem, so maybe, Mr. Rudin, you can help answer it.

The material we received talks about the success of the banking system here in Canada, of which we are all immensely proud. There is a piece about the banks experiencing profits greater than expected or predicted, and yet at the same time there is a comment that it's not the amount of credit so much as the cost. Certainly, anecdotally, that is what we're hearing. So this morning I've already heard some inconsistencies in saying yes, there's a lot of lending happening, but we're pulling back on the securitization aspects of it—which I think is a good thing, given everything we've seen. Then we have banks seeing higher profits than expected, and yet we're also hearing that the cost of lending has gone up.

I would like it if maybe both you and Monsieur Halde could comment on that, because I have yet to really hear an answer as to why that is.

Mr. Jeremy Rudin: I'll see what I can do.

If we're speaking about lending to business—let's start there—businesses can get credit from banks, from non-bank lenders, and directly from financial markets. We've seen a sharp reduction in credit available to businesses directly from financial markets, of which the securitization channel is the most dramatic.

Lending to businesses by banks is still increasing, measured on a year-over-year basis. Total business credit is still rising, but still more slowly. It's not as if the banks, even though they have increased lending, have stepped in and completely offset declines in other areas.

At the same time as the volume of credit extended by banks continues to rise, the terms and conditions under which it is being extended, especially at renewal, are definitely becoming tighter. You see this in the senior loan officer survey conducted by the Bank of Canada, where every quarter the majority—a large majority—of the banks' senior loan officers say they're tightening credit conditions, even relative to the previous quarter. We know this to be happening, and of course the people who are on the receiving end of it, whether they be households or businesses, are not happy about it. So it is certainly possible that—and indeed it's what's happening—the volume of credit is continuing to grow, but the terms and conditions are tightening at the same time.

Ms. Martha Hall Findlay: That was the premise of my question. I haven't heard an answer as to why. So I might understand that, and I might understand why the securitization piece is diminishing, but I think part of our job is to be able to tell Mr. Smith out there, who's going to get a loan and either can't get it because the conditions are tighter, or could, but the cost of it is significantly higher, why that's happening. Why is it tougher for him to get a loan, and why is it more expensive?

Mr. Jeremy Rudin: Certainly one reason that it's becoming more expensive is that what banks and other financial institutions have to pay in order to raise the funds that they lend has gone up. It's certainly gone up relative to the riskless credit, which is the government. Then this gets reflected in the price that banks and other lenders charge to their borrowers.

To give a very simple example, before the crisis began, more appropriately during the credit boom, it was possible to get a floating rate mortgage at below the prime rate. So prime minus 100 basis points, one full percentage point, or prime minus 80 basis points was a very common price. Now—

● (1045)

Ms. Martha Hall Findlay: I don't mean to interrupt, but I'm going to run out of time.

It's just a fundamental question of understanding the interbank lending rate challenge. Four of the major banks showed higher than expected profits, so there's a disconnect there between being able to say that their costs have gone up because of those costs internally and they therefore must charge more, when at the same time the four major banks are showing higher than expected profits. It's that reconciliation we're having trouble with.

The Chair: Okay, on the question.

Mr. Jeremy Rudin: I'm not sure how profits relative to expectations are relevant here. Bank profits are not rising; the banks have done better than analysts were expecting them to. This improvement in expectations may well be because bank credit losses were lower than expected. I would have to look into it.

There isn't any question that the costs for lenders to raise funds to lend has gone up relative to before. I would hesitate to say that we have returned to what will be normal conditions, but I think it's broadly agreed that the new normal will not be as advantageous as the old normal. The days of a household's being able to borrow well below the prime rate may not be coming back. That may have been the exception, rather than the norm.

The Chair: Thank you.

I do want to follow up on that. I think you're hearing from committee members, and all of us are hearing the same concerns across the country. I'm certainly getting people coming into the office, people who have not contacted me in eight years, so these are not people who chronically complain. They say they have a business and fair-sized assets, and they say exactly what was said in the presentation: that business lending continues to rise, but the terms and conditions available to borrowers have tightened, so the issue is the cost, not the availability of credit.

You've answered some of the questions there, but in terms of what the government is proposing—the lenders assurance facility, the insured mortgage purchase program—which of these measures will help the most? When you talk about the items in the budget, which I very strongly support, it's hard to relate what's happening there to the person who comes in, like the small or medium-sized business owner. The follow-up question they ask is that while it's fantastic that you're doing this, they want to know how that relates to them, so that their cost of credit will not continue to rise.

Mr. Jeremy Rudin: I'll go briefly over some of the facilities. The insured mortgage purchase program is one that, as we discussed, purchases mortgages from lenders, which then gives them funds that they can on-lend. I think we see the evidence of that in rates in a couple of ways. First of all, five-year mortgage rates in Canada have declined since the beginning of the financial crisis. This is not true in the United States, where the long-term mortgage rates have gone up. I feel that the insured mortgage purchase program has been an important aspect of that. This has also been cited by a number of lenders as an important aspect.

The Canadian secured credit facility, which we are working very hard to get operational as soon as possible, will provide additional credit in the automotive sector, and there will certainly be some people who are now unable to get credit who, once the facility becomes operational, will have access to credit. I would expect to see more in terms of an expansion of overall credit, perhaps, than necessarily in terms of rates.

What's common especially for the vehicle financing arms of auto companies is to post a fixed rate but then ration who is able to get it on the basis of their assessment of credit quality. The higher the quantity of financing they have available, the more they'll be able to bring people in. They will all be high quality, but they'll still be able to not concentrate on only the most creditworthy of borrowers.

The business credit availability program will also add quantity to the amount that's available to businesses. To the extent that much of it will be on a participation basis with financial institutions, it's not going to have a direct impact on terms and conditions, but it certainly will on the amount that's available.

● (1050)

The Chair: That's helpful, but I would say for the small or medium-sized business owner who comes into our office we need to have a way of explaining to them that these are the measures that are being put in place and how they are going to impact them at their level so that their cost of credit is not going to continue to go up.

I see that I'm out of time, and I'm strict with others, so I'll move on to Mr. Pacetti.

Mr. Massimo Pacetti: Thank you.

Again, I'm trying to assess the exposure to the Canadian citizen. We were talking about the extraordinary financing framework that's available, but what's going to happen in the next two weeks? What is your forecast if things were to happen? Where will we see the most exposure?

I'll try to make the question easy so the answer can come easy. Do you see exposure in the real estate or credit markets? Where do you see the exposure coming?

Mr. Jeremy Rudin: I'm sorry, is it the exposure to taxpayers?

Mr. Massimo Pacetti: Exposure where the Canadian government is going to have to intervene.

Mr. Jeremy Rudin: I think you're asking me what the government's contingency plans are for additional facilities.

Mr. Massimo Pacetti: Yes.

Mr. Jeremy Rudin: We look at what's going on in credit markets all the time. We certainly do consider various options. Right now I think we're preoccupied with rolling out what was in the budget. We do consider what other possible areas of intervention there would be, and the government has stated that it stands ready to take the action that's necessary.

As far as the position of the government goes, that's all I have.

Mr. Massimo Pacetti: I think the credit market seems to be stable, but do you see any exposure in the real estate market? All of the articles coming out in the last week or so are saying that the crisis is going to happen in the real estate market in Canada; we're just a little behind.

Mr. Jeremy Rudin: I'm sorry, that prices are...?

Mr. Massimo Pacetti: It's that the decline in real estate prices is just around the corner. I can't believe the government has not looked at that.

It's not doomsday, but I'm asking if you have a ranking of what you feel is going to be the next potential sector to be hit.

Mr. Jeremy Rudin: I wish I understood the question.

Mr. Massimo Pacetti: It seems to me that in answering the question you don't seem to be worried about anything. You don't seem to be worried about whether the real estate market is going to come down or if the financial institutions are going to be in financial difficulty and the government will have to intervene. You don't seem to have any problem with funding pensions if the major automobile manufacturers go down. There doesn't seem to be any bother with you. All you do is keep repeating our questions. We have constituents who come to our offices asking what's going to happen to their pensions.

We just saw the same thing happen in Quebec, where the QPP just tanked 25%, and all they could say was that Warren Buffet decreased 30%, so they're okay.

Ultimately, the Canadian government is on the hook here.

● (1055)

Mr. Jeremy Rudin: Thank you. That's very helpful for me to better understand.

The government, as I said, is monitoring the situation very carefully and has taken action in a number of areas. In the budget bill that's before you, the government has sought additional powers in order to be able to deal with contingencies as they arise. There are additional powers for the Minister of Finance and for the Canada Deposit Insurance Corporation. This is evidence of the government's consideration of the possibilities that might arrive. It's not necessarily evidence that the government is worried about a particular aspect of the financial system, but rather that the government feels that it needs to have the authority to react quickly and in a responsible way.

On the pension front—

Mr. Massimo Pacetti: Sorry, but if you're not ready for anything to happen, you are not going to be ready to react whenever a crisis does happen. I don't feel reassured that you're ready for anything to happen. You're just going to wait for pensions to tank and for financial institutions to go down the drain and you're going to wait for real estate prices to go down another 20% or 30% and then you'll react. That's what it sounds like to me.

Thank you, Mr. Chairman.

The Chair: Mr. Rudin, do you want to respond to that? You have 30 seconds if you wish.

Mr. Jeremy Rudin: It was a statement, not a question, but it's certainly not—

Mr. Massimo Pacetti: I already asked plenty of questions and that's my statement. That's what I get from you.

The Chair: Order.

Mr. Jeremy Rudin: I would say that I would provide a different summary from that.

Mr. Massimo Pacetti: Has he answered any of your questions? Come on.

The Chair: Mr. Rudin, do you want to respond or not?

Mr. Jeremy Rudin: The government does considerable contingency planning. I was about to discuss what the government is doing on the pension side, but apparently I won't have time. It stands ready to do quite a bit more if necessary.

The Chair: Thank you.

Monsieur Carrier.

[*Translation*]

Mr. Robert Carrier: Thank you, Mr. Chair.

Good morning, Mr. Rudin.

I'd like to ask you a question on a different topic. I will not raise the possibility of the creation of a single securities regulator. You did not provide any clear demonstration of why such a major change is justified. In Quebec, our major financial institutions are attributing their current setbacks to asset-backed commercial paper. Those institutions are telling us that all of the references received by rating agencies were good. Specifically, we are talking about DBRS and Standard & Poor's, agencies that are controlled by the federal government. These agencies are paid by securities issuers, which in turn will provide suggestions or recommendations to the agencies so that their ratings are improved. Do you not believe that there is a conflict of interest within these agencies, as ultimately they misled many of our financial institutions?

I'd also like to know why the Bank of Canada still includes asset-backed commercial paper on its list of collateral? I think it's a major point that everyone continues to have doubts on. How is it that this component, despite its positive ratings, generated such huge losses for so many financial institutions?

Mr. Jeremy Rudin: I would like to clarify a point before beginning. Rating agencies are not regulated by the federal government.

Mr. Chair, we must make a distinction between ABCP that is issued by banks, and ABCP that is issued by other institutions. Non-bank ABCP was the source of the problems which appeared in August 2007. Restructuring was concluded in January 2009. The role of credit rating agencies has been raised by many people. It has also been raised in reference to the U.S. situation. Right now, the international securities organization is reviewing a code of conduct for rating agencies, and regulatory commissions are reviewing their own responsibilities and are considering the possibility of perhaps changing their role with a view to regulating rating agencies.

The Bank of Canada currently accepts bank-sponsored ABCP. The Bank of Canada recently adopted in-house rules concerning the eligibility of ABCP. These are new and rigorous rules.

Mr. Robert Carrier: All right. Thank you.

[*English*]

The Chair: Merci, Monsieur Carrier.

I want to thank the witnesses for coming and for their presentations and responses to our questions.

Members, I will just remind you, if you have any further witnesses—we have e-mailed you a suggested list of witnesses by the analyst—for this study please submit them as soon as possible.

Thank you, members, colleagues.

The meeting is adjourned.

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