

Canada Deposit Insurance Corporation Act

because of the inadequacy of the legislation and the monitoring system. Due to this, when things went bad, as they so frequently have in recent years, both under the Liberal and Conservative administrations, the monitoring system which was supposed to protect the people of Canada from the disasters which took place were not in place.

During the hearings by the Standing Committee on Finance, Trade and Economic Affairs into Canada's financial institutions a number of witnesses supported the increase in the premium levels paid into the deposit insurance corporation. Considering the numerous failures of trust companies, loan companies, and most recently banks, and the fact that in 1983 the level of deposits covered by insurance was increased from \$20,000 to \$60,000, there has been a recognition that premium increases are required. We are not opposed to this increase but there are points worth touching on in this debate. We want to get them on the record.

First, the increases in premium contributions may, and I am certain will, be passed on by some if not all the institutions to the consumers through increased service charges. We have seen service charges increase in number and by very substantial amounts in both banks and trust companies. The days when banks provided services for free are long since gone. This has helped the profits of banks escalate.

Second, under the current legislation which is not affected by the amendments to Bill C-86, member institutions are entitled to reduced premiums when, in the opinion of the corporation, the deposit insurance fund is adequate having regard to all the circumstances. These reduced premiums are usually extended to member institutions in the form of a rebate.

We are not opposed in principle to the increased numbers of members on a corporation board. There is little doubt that the CDIC as well as the other regulating bodies are in desperate need of a fundamental reorganization. I would include in that group of organizations which need fundamental reorganization the office of the Superintendent of Insurance. I hope that when we get the new system in operation the Superintendent of Insurance, the Inspector General and the head of the Bank of Canada will talk to each other. Apparently when the Superintendent of Insurance realized that there were certain things wrong with the trust companies there was no communication with the Inspector General who could have taken early action which would probably have avoided some of the major disasters which took place.

However, the concern with this specific provision is that the majority position will in future be held by private sector rather than public sector members. We find that very strange because, as the Minister knows, there is a very distinct possibility of a conflict of interest. While the latter may well have more hands on experience, as long as CDIC has access to the Consolidated Revenue Fund it cannot be construed as a private sector organization. It should not be seen as a glorified Canadian bankers' association. Therefore, we would have serious reservations about handing over majority control of the

CDIC to private sector oriented directors. The major proponent of this latter proposal was the Wyman committee which contended that: "in an environment of deregulation" it was essential that CDIC reflect that reality.

As I indicated earlier, we believe that Bill C-86 is a stop-gap, short-term measure. Taken in the context of the recent bank and trust company failures, this legislation should only be interpreted as a minimal knee-jerk reaction rather than a substantial beginning to require reform of the regulatory and supervisory institutions. For example, from the direction of both Bill C-86 and the proposed legislation which will be presented more formally some time in the future, the Government appears somewhat reluctant to fully undertake to bring into existence the recommendation of the standing committee on finance for a national financial administrative agency which would consolidate all regulatory bodies into one organizational structure.

I have already indicated our concerns, that if we do not do this we will have a repeat of what happened previously when one of the important regulatory agencies did not communicate with the other. In the course of debate we want to emphasize the interim nature of the Government's response to the crisis in the financial sector. When I talk about a crisis, I do so advisedly. Just look at the billions of dollars the CDIC has had to pay out because of the failures of trust companies and banks.

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We have some questions concerning Bill C-86 which need to be answered. First, what measures are there in the Bill to prevent members of the board of directors from the private sector being considered on the basis of political connections rather than on merit? Second, why would the Government consider it astute to permit the use of alternates on the board when the Government-appointed Wyman committee recommended against such a practice? Third, should CDIC, as a result of the increase in the number of private sector board of directors, be placed in a position of appearing to become a federal agency which in fact is little more than the equivalent of the Canadian Bankers' Association; a vehicle for the private sector to influence direction of Government policy and perhaps as a means by which to manipulate competition amongst member organizations?

The Canada Deposit Insurance Corporation was established in 1967. In its first year of operation the corporation insured 28 federally-incorporated financial institutions, 10 of which were banks, and 41 provincially-incorporated trust and loan companies. The level of deposit protection was set at \$20,000 and the total amount of deposits insured was \$17.1 billion. By the end of 1984 there were 140 federally-incorporated institutions affiliated with the CDIC, 72 of which were banks, and 46 provincial institutions. The insured deposits had increased from \$20,000 to \$60,000. Total deposits insured were \$162 billion. Apart from that change in 1983, the corporation's authority to borrow from the Consolidated