

Government Orders

tion must be seized, that they can arrange a rescue package and that it has a potential buyer or merger partner.

• (1630)

Before the finance minister can agree or disagree he must hear from the directors of the financial institutions so that they have their opportunity to put their case before the minister.

If the minister still agrees with the Canada Deposit Insurance Corporation then the corporation takes over the institution and the shareholders and the debt holders are offered compensation, if there is any value left in the institution.

Each individual shareholder and debt holder can decide whether he or she going to take that compensation. If over 10 per cent reject the offer, an independent assessor will be appointed who determines whether the offer was fair and, if not, what the amount of money should be.

That is a summary of the restructuring process. Certainly it is not perfect, but it does try to strike a balance on the one hand between the need for decisive action to save a failing financial institution. As I said, presently and in the past the regulator has not had the power to go in there in some cases as quickly as he probably should have. It tries to strike a balance between the need for decisive action to save a financial institution and on the other hand the need to respect the rights of that institution's shareholders and debt holders. That is not an easy balance to find. However I think this legislation has come up with a reasonable balance. It is one that we will be looking at very closely in the committee.

There are some other elements in the bill as well. For example, other measures include that the corporation's line of credit will be increased to \$6 billion from \$3 billion. That is money which the corporation lends at market prices to carry out such duties as financing a merger or compensating depositors or shareholders or debt holders. Since 1987 the level of deposits of the Canada Deposit Insurance Corporation has increased by more than 50 per cent. That makes it necessary to increase this line of credit.

Another important measure contained in this bill will mean that bank and trust company staff will be able to tell their customers which products are insured under Canada deposit insurance. As it presently stands, Madam Speaker, if you go into a bank or a trust company and you want to find out what particular products are insured under Canada deposit insurance, they cannot tell you. All they can do is give you a pamphlet. Sometimes those pamphlets are very confusing. Sometimes it is very difficult to know just exactly what is included, what you can have insured up to \$60,000.

This is a very important step. It is going to make it much more convenient for customers because they will be able to ask personnel at the bank or the trust company and receive an answer as to yes, it is insured or no, it is not insured.

This legislation affects banks and trust companies. It is interesting to read their comments on how they feel about regulators getting this massive power which seems to give Draconian powers to the federal government through the Canada Deposit Insurance Corporation.

For example, the trust companies association president, John Evans, said on February 3 in *The Globe and Mail*: "We are encouraging the government to proceed and get this through. Our sense is there is some urgency. This bill provides the powers the Canada Deposit Insurance Corporation needs to come to a quick resolution of problem institutions".

The Canadian Bankers' Association is on record as saying that it agrees with the concept of this legislation. It would prefer a more comprehensive review of the role and operations of the corporation. It notes that in 1985 the Wyman report recommended sweeping changes to the corporation which would, among other things, result in higher insurance premiums for riskier financial institutions. In other words, the riskier a financial institution was, the higher the premium it would have to pay.

This legislation appears to be reasonable. We will have to examine it in detail in the committee. However, one of the things that is not reasonable is the fact that this government took six years to bring in this legislation, from the time of the blue paper in 1986 which first described the process we are now discussing in this Bill C-48. Now we have the legislation before us and the government wants to pass it by the end of the month.