

*Canada Deposit Insurance Corporation Act*

amendments proposed to Bill C-86. It is important that as we commence this stage of the legislation Members are aware of the importance of the legislation.

As a result of the difficulties experienced by several financial institutions over the past several years, the deposit insurance system has experienced substantial losses. The extent of the losses were such that the CDIC's accumulated financial resources were depleted. In other words, CDIC is in need of the money. Moreover, these losses will continue to impede the rebuilding of the deposit insurance fund, which will require rebuilding to provide it with a sound financial base. Indeed, without an increase of premiums the deposit insurance fund's deficit will continue to increase even if CDIC does not incur additional losses in the future. Interest costs on funds borrowed to finance past deficits, and this is an important point, would exceed premium revenue at current rates. This is the reason for the urgency behind the legislation being discussed today.

Bill C-86 would raise the premiums paid by member institutions of the CDIC from the present level of one thirtieth of one per cent to one-tenth of one per cent of insured deposits effective February 1, 1986. This increase in premium levels is necessary to begin the lengthy process of reducing the size of CDIC's deficit.

The increase in premium rates expires at the end of March, 1987, and thus would be an interim measure, pending the completion of a full review of the deposit insurance system. The reports prepared by the House finance committee and the committee in the other place examined this issue and their reports are important elements in this process. I should indeed thank all Hon. Members for their participation in that discussion.

Some Members of Parliament have expressed concerns that the proposed premium increase is effective February 1, 1986. It has been suggested, for example, that the legislation enforces a retroactive increase in deposit insurance premiums. It is important to note that this legislation was first tabled and made public on November 29, 1985. CDIC members therefore had ample notice that the Government was planning to raise CDIC premium rates.

When it became apparent that the legislation would be delayed, it was decided that this increase in premiums be authorized in the Bill as of a specific date. In mid-January we announced that we would make the higher premiums effective February 1. A letter to this effect was sent to all CDIC member institutions. We were very concerned about providing them with warning.

Another provision is that Bill C-86 increases the size of the Board of Directors of CDIC to provide for the appointment of up to four board members from outside the federal public service. This amendment addresses the Wyman Committee's recommendation that there be broader private sector representation on the board of the CDIC. It was suggested that representatives from the private sector would complement the

existing membership, who are public service directors, by bringing a private sector market perspective to the decision-making process of the board. These directors will provide the CDIC with valuable insights on developments in the financial system. The legislation precludes individuals still active in financial institutions from serving on the board of directors.

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It has been suggested that active members of the financial institution sector should be appointed to the board to ensure that the CDIC has access to timely market information. That point is well taken and that is why we propose private sector directors in the Bill. However, the appointment of active board members within financial institutions would raise serious conflict of interest concerns since CDIC board members receive sensitive information from member institutions which could frequently be competing institutions. Member institutions must, therefore, at all times be assured that the information they provide to the Deposit Insurance Corporation will not be used in a manner which is detrimental to their interests. Consequently, I believe it would not be appropriate to appoint individuals active in the financial institutions sector to serve on the CDIC board of directors.

The legislation does not preclude the possibility of having someone from the consumer sector serving on the board. Our intent is to ensure that four of the best people are selected to fill the new positions. Defining who those people should be would limit our capability to make future appointments based on that and our flexibility to pull in people from coast to coast with different kinds of expertise.

It was also proposed that there be conflict of interest provisions placed in the legislation. I share, as much as anyone, the Hon. Member's concern about the need to prevent conflict of interest with CDIC board members. However, if specific conflict of interest provisions were placed in the legislation, it could limit our flexibility in dealing with possible future conflicts of interest because these values change. If this proposal were adopted, changes to these guidelines would require legislative changes.

For this reason I feel it is advisable to have conflict of interest guidelines in corporate by-laws. This would allow the CDIC to react quickly to a possible conflict of interest situation which might arise. It is the intention of the Government to ensure that the conflict of interest guidelines which are formulated are effective. We regard this as a matter of the highest importance. Given the importance of the deposit insurance system, Mr. Speaker, I hope that all Members will join with me in supporting this legislation.

**Mr. David Orlikow (Winnipeg North):** Mr. Speaker, we are going to support this legislation although we will move some amendments which we think are pretty important. We are going to support the legislation because there is no other way. We look upon it as essentially a stop-gap measure. We believe that the reason the CDIC has its present problems and has had to finance bank and trust bankruptcies in recent years is