

Let me deal with the honourable senator's specific question. Legally, in the current situation, if any deposit-taking institution that is federally chartered, a bank or trust company, failed, the CDIC would have responsibility for providing deposit insurance. That is what the current law says. If the honourable senator's question is as to whether the government would intervene at some point prior to it actually failing, but while it is still in serious financial trouble, that gets into the realm of speculation. Periodically over the years, industries have had troubles, and periodically governments have taken decisions to step in and save them. It is impossible to predict.

I would also argue that it is impossible to predict what the federal government would do if a Triple-A rated insurance company got into trouble. From the evidence presented to the committee, most of those big companies are so sound that it is a purely hypothetical question.

In direct answer to the honourable senator's question, if it were a bank, it would be insured by the CDIC, and if it were an insurance company, it would be insured by the policyholder protection fund that we have proposed be established.

• (1630)

**Senator Di Nino:** If one of the major banks were to get itself into trouble, even accepting today's limit of \$60,000, such a collapse would affect institutions and governments, both domestic and foreign. I propose to you that your recommendations in this report would likely mean that the taxpayers of this country would bear a large cost of the bailout process.

Honourable senators, I can give you three instances in the last 10 years in which the taxpayers of this country, notwithstanding that our institutions are so big, had to pick up a portion of the fallout from the mistakes made by these institutions. I do not believe that would occur if the financial institution was a small one.

Do you think there is a level playing field when we talk about spending taxpayers' money to protect the integrity of the system as it relates to large financial institutions versus small financial institutions?

**Senator Kirby:** I am at a bit of a loss. I think I am aware of every financial institution that has failed in Canada, at least in the last 10 years and going back to the post-depression period. I do not know of any case where taxpayers' dollars have been spent. I absolutely accept the fact that the CDIC has stepped in. I absolutely accept the fact that taxpayers' dollars have been spent to rescue companies outside the financial services industry. However, we were not talking about those companies. We are not talking about what happens if Dome Petroleum goes under, which is one example where taxpayers' dollars were involved. I know of literally no case.

In the decade that I have been a member of the Standing Senate Committee on Banking, Trade and Commerce, we have looked at every case since 1984. That covers four or five cases. We received detailed histories on those and previous cases. While there were CDIC dollars expended, there were no

taxpayers' dollars. The CDIC borrowed from the federal Consolidated Revenue Fund, and those funds are in the process of being repaid.

The only industries I can think of where taxpayers' dollars were used when a large company went under, are not in the financial services sector but rather in the natural resources sector. In my part of the country, one thinks of steel mills and coal mines. In other places, perhaps, one thinks of oil companies. However, I cannot think of any financial institution.

**Senator Di Nino:** I will give you more detailed information when I make my presentation on Thursday.

I should like to ask a question for clarification with respect to the issue of stacking. Are you suggesting that stacking be eliminated? Are you proposing that the insurance would cover deposits in a bank, trust company or other financial institution, up to a maximum of \$30,000 prior to the co-insurance kicking in. Then up to a maximum of \$65,000 there would be the 90-per-cent coverage that you are recommending, for the total of all deposits of that one individual in that institution?

**Senator Kirby:** I am glad you raise that question, because we wrestled with that point.

The intent of current deposit insurance is that if you had money in a single financial institution, you would be insured up to \$60,000. You could have \$60,000 in another bank or trust company, and another \$60,000 elsewhere. However, the \$60,000 limit would be the limit in a single institution. Given the way the rules are written, it is possible for you to put money into the same institution — \$60,000 into an RRSP, \$60,000 into a chequing account, \$60,000 into a joint account with your wife, et cetera. The CDIC provided us with the example whereby a couple could get nine times \$60,000 insured and still be within the same family of companies, which clearly violates the intent and spirit of the law.

Equally, what you cannot do under the current rules is stop someone from insuring \$60,000 in Trust Company A and another \$60,000 in Trust Company B, where A and B are unrelated. We understand that. In fact, we think that is good for competition. We do not propose to stop this sort of behaviour. In fact, by going from \$60,000 to \$30,000, you encourage people to move their money among institutions. We wanted to stop the clear violation of the spirit of the law, which is inherent in having a family of related companies insure a single depositor.

**Senator Di Nino:** You are saying that the insurer — the CDIC — would cover to the maximum for that particular individual in that one institution?

**Senator Kirby:** Or a related company, or a family of related companies.

**Senator Di Nino:** You are saying that if my wife and I each had \$30,000 in an institution that failed, the CDIC would only cover \$30,000?

**Senator Kirby:** We did not deal with the related-persons problem.