

Financial Institutions

The Acting Speaker (Mr. Paproski): In my opinion the yeas have it.

And more than five Members having risen:

The Acting Speaker (Mr. Paproski): Pursuant to Standing Order 13(5), a recorded division on the proposed motion stands deferred.

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FINANCIAL INSTITUTIONS AND DEPOSIT INSURANCE SYSTEM AMENDMENT ACT

MEASURE TO AMEND

The House resumed from Tuesday, June 23, consideration of the motion of Mr. Hockin that Bill C-42, an Act respecting financial institutions and the deposit insurance system, be read the third time and passed.

The Acting Speaker (Mr. Paproski): Resuming debate with the Hon. Member for Kenora—Rainy River.

Mr. Cassidy: Mr. Speaker, I rise on a point of order. My colleague, the Member for Kenora—Rainy River (Mr. Parry), may have concluded his remarks.

The Acting Speaker (Mr. Paproski): I will recognize the Hon. Member for Ottawa Centre.

Mr. Mike Cassidy (Ottawa Centre): Mr. Speaker, Bill C-42 has been before the Finance Committee for some time. It is the first of three portions of the financial deregulation and deregulation which the Government has been putting forward.

While this Bill is important, it is unfortunate that it has not been accompanied by the third portion of the Government's legislation which would have informed us of its policies about such crucial issues as self-dealing, conflict of interest, and the size of financial institutions.

This is the least contentious of the three Bills because in the wake of the collapse of the western banks and the new ownership under which were placed all of the minor banks that were set up in the last 10 or 12 years, it became evident that there needed to be a new formula for the supervision of financial institutions. That is what is being done in this particular area.

I regret that the portions of the Bill dealing with deposit insurance still have not resolved some of the existing questions. The committee spent considerable time looking at this question in some detail.

I might say that there was some contention in the committee over the question of whether or not and under what circumstances the Deposit Insurance Corporation would be able to levy a penalty of an excess premium on institutions that were not maintaining the standards prescribed by the CDIC for the operation of its affairs. A good deal of confusions remains

between the Deposit Insurance Corporation and the Superintendent of Financial Institutions as to who does what to whom. I think it is wrong that the Bill has not been changed in order to prescribe more specifically some of the duties of auditors. I hoped that change would be implemented because one of the tragedies and scandals of the collapse of the western banks is that there still has been no effective action taken to discipline the professional auditors who allowed that to take place without reporting on the prevailing situation in the western banks. We now know that there was a great deal of effort to essentially mislead investors and depositors about the true nature of what was happening.

There was some interesting discussion in the committee on the question of whether the creation of a separate office of the Superintendent of Insurance was adequate protection in ensuring that financial institutions in Canada will continue to be safely, effectively, and prudently operated.

The basic question in this area was whether we should essentially insure deposits, almost without limit, or whether there should possibly be a form of co-insurance for deposits over a certain level. No specific measures were ultimately implemented in this area, but the point is well taken that the Government has put too much reliance on the effectiveness of the Superintendent of Financial Institutions to oversee these financial institutions. This has essentially left little or no role to the private investors, municipalities, and depositors to ensure that they are not making unnecessarily unwise investments in order to obtain an extra one-quarter per cent or one-half per cent interest.

I expressed concern that it looks as though the Office of the Superintendent of Insurance would not get adequate new resources in order to ensure that what happened in 1985 might not happen again. The Superintendent said that he would decide what resources he needed and had been assured that he would get those resources when he went before Treasury Board and Minister of Finance (Mr. Wilson). I appreciate the confidence that he expressed.

The new Superintendent is obviously a man of great capacity and we welcome his appointment. However, I am not sure whether Mr. Mackenzie might not face similar problems that his predecessor faced as Inspector General of the banks. He may be unable to get adequate resources or effectively fulfil the greater responsibility he has been given. Unfortunately, that is a problem that has not been resolved.

One could raise many other questions about this legislation. The Superintendent of Financial Institutions is being given very substantial powers to effectively move in on institutions, seize assets and, according to the other Bill, determine the value of real estate assets. This was not possible at the time of the collapse of the western banks and, had some of these powers existed at that time, it might have saved the taxpayers, bank customers, or perhaps both, hundreds of millions of dollars. Canadian taxpayers would not have had to bail out the banks to the degree that was required.