

Canada Deposit Insurance Corporation Act

Mr. Don Blenkarn (Mississauga South): Mr. Speaker, essentially this is a band-aid Bill designed to cover the financing problems of the Canada Deposit Insurance Corporation from now until April 30, 1987. In that sense, while it is not substantial legislation, it is necessary because it increases the premium being charged to banks and trust companies on their insured deposits. It increases those premiums from one-thirtieth of one per cent to one-tenth of one per cent, which reflects the recommendations of both the Wyman report and the Standing Committee on Finance and Economic Affairs in its report of November 6, 1985. In that sense, the Bill is following the recommendations of our parliamentary committee and therefore should be supported.

Indeed, the Bill ought to be supported because it at least tries to deal with the matter in a temporary way until the Government can come forth with comprehensive financial institutional legislation. It is with respect to the need for comprehensive legislation that I want to address the House this morning.

First, it is well known that the Canada Deposit Insurance Corporation was run by part-time directors who alternated from time to time and operated essentially as an arm of the Government, which could direct the corporation to pay on claims that may or may not have been proper. As a result, the corporation has been placed in a financial box. I expect that after the smoke clears from the defaults of the Northland Bank and the Canadian Commercial Bank, the outstanding losses of this corporation will exceed \$1.5 billion at the very least. In view of the rather poor prospects for improvement in real estate values in western Canada, it may be that there will be little if any recovery from the assets of those banks. It has been suggested that because of the rather poor economic climate in western Canada the sale of assets in western Canada from the Northland and Commercial banks will result in the Bank of Canada losing money on its pay-outs and advances to those banks prior to their collapse.

One of the problems dealt with by the finance committee in organizing its report on financial institutions was the question of who should be covered for insured deposits and uninsured deposits. You will know, Mr. Speaker, that the Committee on Finance and Economic Affairs endorsed the continuation of the \$60,000 limit for insured deposits and made a suggestion that there be an arrangement whereby those who were uninsured might be able to receive an advance payment of the anticipated liquidation value of the financial institution.

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In that sense, the finance committee suggested that the Canada Deposit Insurance Corporation change to become a Canada deposit insurance fund, managed by a combined private sector-public sector board of directors under an organization called the National Financial Administration Agency which would include, if necessary, and properly so, perhaps, provincial directors, certainly directors appointed by the Government of Canada through its Public Service, and

directors appointed and elected on the recommendation of various organizations whose involvement in the financial industry is to be supervised. The National Financial Administration Agency would be a comprehensive organization looking after the inspection and supervision of life insurance companies, property and casualty insurance companies, banks, trust companies and, perhaps at some time far in the future, security dealers.

It was felt by the finance committee that there is really no distinction in the absolute between any of the four pillars of financial responsibility—or, perhaps, five, if one includes the credit unions—and that in the supervision of those institutions, which all invest essentially in the same type of security, there ought to be the same class and kind of inspection. That is where some of the difficulties arise with respect to who should be on the board of directors. While there is a very strong public interest to protect, and that public interest must be protected by public sector people on the board appointed by Ministers of Consumer and Corporate Affairs and Ministers of Finance, and so on, there has to be a strong private sector group on the board representing the various organizations being inspected.

What we have to understand is that part of the problem we have run into with financial institutions, particularly the trust companies and banks, is that we have not had the input from the street which is so important in determining whether there is likely to be a default, what companies are getting into trouble and where we are in fact going in the administration of these institutions. There is not much point in having an inspection system or a board of directors system centred here in Ottawa when there is no head office, except for one life insurance company, in this city. Where we have to have our inspection and our street "smarts" is on the street. Those streets on where the financial business of this country is conducted are in Halifax, Montreal and Toronto, perhaps in London, Ontario, and certainly in Calgary, Winnipeg and Vancouver.

That these organizations should all be supervised, inspected and looked at by people who operate strictly out of Ottawa is one of the major reasons for the financial problem from which this corporation presently suffers and, indeed, the country, as we have had to pay out vast sums of money to protect uninsured depositors. In that sense, it is important that we change our whole attitude towards the inspection and management of deposit insurance and the inspection and management of trust companies, banks and other financial institutions, financial intermediaries generally.

First, as a principle, we must understand that the financial industry is not very much different from any other industry and that the people in the industry know the business. They know who are the bad actors and who are operating sensibly and prudently. They have the ability, with their knowledge, to make sure that those who are not acting prudently are brought into line. When it is just "big brother" looking after things, no one blows the whistle or calls the cops. But if we are looking