

Senate. However, I think the point is one on which the minister should appear in order to give us further clarification.

**Mr. Humphrys:** I might add one further comment, Mr. Chairman, that may be relevant or significant, and that is that as a market-maker it is not likely that the exchange corporation would stand ready to buy from anyone. It probably would look to those institutions which are interested in making a market or participating in a market.

The main market should be made by the financial community itself, with the exchange corporation being rather a catalyst than the central figure in the market. This, I think, would mean that not every mortgage lending institution would be a client of the exchange corporation. Thus, I think that the minister would have some field of choice from institutions or individuals who are knowledgeable in the mortgage field that would not necessarily be dealing with the exchange corporation.

**Senator Phillips:** I do not wish to belabour this point, nor do I wish to involve Mr. Humphrys in what is largely a political decision. I do not think that is his function and I do not desire to involve him in that at all, but I would point out one further danger I see, in that a small trust company may wish to sell certain mortgage portfolios because it has found itself in difficulty. It is then dealing with a board of directors made up of its competitors.

**The Acting Chairman:** Maybe; there is a possibility of that.

**Senator Phillips:** There is the possibility of that happening, yes, and that is another point which should be considered.

**Mr. Humphrys:** I would think that it should be emphasized that the mortgage exchange corporation, as conceived here, would not fill the role of rescuing an institution that is in difficulty. It is intended to encourage a secondary market, but for a rescue operation the Canada Deposit Insurance Corporation is really the vehicle which has been created for that kind of thing. I think the exchange corporation just would not play that kind of role. That would not be its function. It would only buy to the extent that it felt it could sell, and it should not accumulate an enormous portfolio or a warehouse full of mortgages.

**The Acting Chairman:** Perhaps I could make a comment here that might be helpful, Senator Phillips. I think what you say about the danger of a conflict of interest is apropos, because that danger is bound to exist in a situation like this. On the other hand, if you take the background of the explanation and the comments which the superintendent has given here, together with the fact that a certain risk must, I suppose, always be taken in the selection of a board in a case like this, you have to balance that risk against the necessity of obtaining for the board the kind of knowledgeable people who can do the institution the most good.

At any rate, the remarks Senator Phillips has made this morning, being on record, will serve as notice to the Minister of Finance that, to the extent that it can be avoided, any possible conflict should be avoided.

I do feel, however, that in the context of what Mr. Humphrys has said there is a more than average possibility that there would be no conflict, providing the right people were selected.

Do you agree with that, Senator Phillips?

**Senator Phillips:** There is that possibility, but it is one that I feel is a very dangerous possibility to build into legislation. I would point out, Mr. Chairman, that a few years ago we passed legislation concerning interlocking directorships as between banks and trust companies.

**The Acting Chairman:** Yes.

**Senator Phillips:** To me, we are now crossing that legislation.

**The Acting Chairman:** Well, at the same time, what we want—certainly, the Senate would want this, I believe—is to have a public body, as this mortgage exchange corporation will be in the first instance since it will be a crown company, but also the have the expertise and input that comes from experts in the private sector by having them work within the four corners of this legislation.

That would be highly desirable; and, as I understand it, the purpose of this legislation is to involve and encourage the participation of the private sector in this very important economic aspect of Canadian life so that there will be greater access to funds for housing. I think it is highly desirable to get that kind of expertise. On this very committee you have a good example of that. We have a great many members—though they are not all here today—who are experts in the field of business. They know what business is and what the risks of business are. Of course, there is always the danger of conflict of interest with them, but at the same time I think that is greatly outweighed by the fact that they make a significant contribution to our deliberations. In the same way, the board of directors of this crown corporation, while it is a crown corporation, would benefit significantly from the selection of good people.

I believe, Senator Phillips, what you have done is to put up the warning flag. I suggest to you that that will come to the attention of the Minister of Finance and he will be very conscious of it.

**Senator Phillips:** I do not wish to belabour the point, but I felt that it should be emphasized very strongly at the committee stage; and of course, Mr. Chairman, you are aware of the fact that I have put up warning flags to governments before, of one of which you were a member, and I have found—in fact, I am sure that they kept slipping by my warning flags.

**The Acting Chairman:** I do not think we passed one of yours.

**Senator Buckwold:** The very fact that he was as permanent as it is obvious his government is, is an indication that they listened to those warnings.

**Senator Phillips:** Maybe I should not be giving so many warnings, then.

**The Acting Chairman:** Are there any other questions now, on this point of conflict? Have we dealt with that? Are there any other questions?