

Canada Deposit Insurance Corp.

Mr. Thompson: Mr. Chairman, on the basis that this resolution introduces a bill to give insurance covering deposits in trust and loan companies, I believe it is good. What concerns me is this: The banks and larger trust companies, which are probably less in need than anybody of this insurance, will be the ones basically to participate in this measure. Many of the smaller companies, particularly provincial companies outside the legislation, will not be able to provide for their depositors—and in some cases will not want to—the coverage this legislation provides.

In principle the legislation is sound. In the United States, where similar legislation has been in effect for many years, it has worked soundly and has protected depositors of smaller banks and near-bank institutions.

The satisfactory functioning of the banking system to a great degree depends on public confidence. That this legislation will further strengthen public confidence is good. Let not this house and let not the government forget its responsibility to the public in providing proper controls on the one hand and adequate policies on the other, with respect to the deposits presently held in banking institutions and savings accounts in Canada.

It might be well to look at the most recent statistical summary of the Bank of Canada, issued for December, 1966. On page 120 of this statistical summary we are told that the personal savings of Canadians, in savings accounts in Canada at the present time, total \$10,187 million, the highest rate of savings per capita of any nation in the world.

On the basis that these deposits are deposit liabilities on the part of institutions holding the deposits, and according to the evidence of the various governors of the Bank of Canada—and I think basically of what Mr. Graham Towers said a few years ago, that this bank cannot lend its depositors' money—I find it very interesting on turning to page 814 of this document to find that the total assets, including notes in circulation at the present time, of the Bank of Canada total \$3,974.5 million. This means that should the depositors of those institutions accepting deposits from the public together at any one time go to the institutions and demand their deposits, those institutions would find it impossible to give them their money.

While we talk of insurance to protect the depositor, particularly the small depositor, and while we recognize that this type of insurance principle is sound, let us understand clearly how our financial system works. It is

[Mr. Langlois (Mégantic).]

impossible to provide the total insurance necessary to protect all depositors in Canada, should any emergency arise when all demand their deposits back.

In this regard it is imperative that the federal government formulate financial policies which will retain the confidence of the Canadian people in their financial institutions, to make sure that the financial system, particularly that centred around the Bank of Canada, functions adequately, and to give Canada the kind of monetary policy which will enable the monetary system to do what it was intended to do in the first place, distribute the goods and services the economy is able to produce.

I do not follow all questions raised by previous speakers who dealt with the constitutional validity of the proposed legislation. Some alleged that this legislation is non constitutional as it relates to financial institutions with federal charters. I cannot accept that. It seems to me that any company having a federal charter comes under the direct responsibility of the federal government. We realize what may happen to provincial institutions—and some of them are very large institutions already—which are provincially incorporated.

I suggest that not only must this legislation be referred to the standing committee, but it must also be referred to the provincial governments, and to those companies in the financial field, so that there may be full consultation and advice. I can see one thing happening, Mr. Chairman. Many of the provincial companies which are sound and reliable, with good reputations, wanting to assure the public of their stable operations, will as the result of this legislation, should it come into effect, seek federal incorporation. This will be good.

During the past week, and certainly since the deposit insurance legislation has been rumoured, several respectable and reliable provincial trust companies have said that they will seek federal incorporation to come under this legislation. I trust the minister is prepared to encourage and facilitate that type of action. This is the kind of reaction I hope would come from this legislation.

● (5:30 p.m.)

The legislation does not necessarily give adequate protection to companies who feel they do not need, or do not want, the protection which it will provide; and unless the government is able to extend protection to all types of institutions it seems to me that the entire picture as it is related to near-banks, in