

process can be ordered. These conditions and the series of approvals required will prevent premature or arbitrary use of the power to restructure troubled deposit taking institutions.

Second, shareholders and subordinated debt holders of an institution that is restructured will be compensated according to the value remaining in the shares or debt. This is assured by their right to request that an independent assessor be appointed to determine what fair compensation is.

These safeguards are very important features of this bill.

Now let me take a few moments to describe in greater detail how they will work.

Before the authority to restructure a troubled financial institution can be used, certain conditions must be considered and a detailed procedure involving the Superintendent of Financial Institutions, the Canada Deposit Insurance Corporation, the Minister of Finance and the federal cabinet must be followed.

The first step is the superintendent's judgment of the financial condition of the troubled institution. Specifically the superintendent must determine that the institution has ceased or is about to cease to be viable and that there is no regulatory power that the superintendent can use to restore or preserve the viability of the institution. The superintendent must then report to CDIC on the condition of this institution.

I might say that these two organizations do co-operate greatly and meet together with myself, the minister responsible, on a monthly basis to review the situation with our financial institutions.

CDIC must in turn decide whether it is appropriate to recommend to the Minister of Finance that the troubled institution be restructured. In making this decision, CDIC must be satisfied that a restructuring is consistent with the objectives set out in its act.

If CDIC recommends a restructuring of the troubled institution, the minister must assess the financial condition of the institution question and be satisfied that it has ceased, or is about to cease to be viable. Only then may the minister recommend to the Governor in Council that a restructuring order be made.

### *Government Orders*

The assessment of the institution by the superintendent and the minister will be guided by criteria which will be set out in the act for owners and operators of financial institutions.

Put simply, the criteria will describe an institution that is no longer capable of continuing on its own. Evidence of this condition may include the institution's excessive dependence on financial assistance to sustain its operation, the loss of the public's and depositors' confidence, substantial impairment of capital, and the institution's inability to pay its liabilities.

These criteria give clear guidance to all concerned that the restructuring authority provided in the bill should only be used when the condition of the institution warrants.

The conditions which must be considered before an institution can be restructured are coupled in the bill with measures to ensure that when an institution is restructured, shareholders and subordinated debt holders will be treated fairly.

Most important among these are the measures dealing with compensation. Where the shares and subordinated debt of a restructured institution have value, their holders will be offered compensation from CDIC. If 10 per cent or more of a class of shareholders or subordinated debt holders feel that CDIC's offer is too low, they will have the option of seeking the appointment of an independent assessor to determine what is fair compensation.

The assessor, who will be a judge, will have full powers to hear evidence and will be given broad terms of reference for determining the appropriate level of compensation. If, for example, the assessor finds that a higher level of compensation should be paid then CDIC will be required to pay.

We have tried to strike a balance in this bill between the objectives of economic and financial stability on one hand and respect for the normal property rights of shareholders and subordinate debt holders on the other. I am confident, after working on this bill for some time, that we have achieved such a balance.

I would like to turn now to some other features of this bill. The bill contains a small number of amendments which are not directly related to the financial institution restructuring process. The first of these is aimed at