

Financial Institutions

● (1710)

The credit unions are becoming major financial players in the financial world. Vancouver City Savings is now the second largest credit union in the entire world. Credit unions are a \$62-billion industry with nearly nine million depositors.

Credit unions are provincially regulated and the extent of depositor protection varies from province to province. In Quebec, the organization insures deposits up to \$60,000 and in other provinces, insurance is sometimes as high as 100 per cent of deposits.

Each province has a stabilization fund which assists credit unions that experience temporary difficulty. The B.C. Central Credit Union has a liquidity fund of \$1 billion to assist credit unions that might get into difficulties. As well, the Canadian Co-operative Credit Society acts as the central bank for the credit unions and also has a stabilization fund of nearly \$1.8 billion. It is fair to say that no credit union has ever declared insolvency except for a 1981 Quebec collapse which was provincially insured. In that case, the depositors were well protected.

Statistics Canada estimates that investment dealers hold about \$3.5 billion in deposits, none of which is covered by CDIC. There is something called the National Contingency Fund, commonly referred to as the NCF, which exists to assist clients affected by broker insolvency. This was set up in 1969.

The NCF has about \$16 million on hand and another \$20 million line of credit. However, it must be recognized that one major bankruptcy such as Osler Inc. can leave the fund empty. The Canadian Co-operative Credit Society claims that it is owed \$30 million from Osler. Thus, the entire capital base of the NCF would be in jeopardy. We see that some improvement is certainly needed when it comes to ensuring the safety and protection of those people making deposits with investment dealers.

Life insurance companies sell RRSPs, RRIFs and other similar investments that are not insured. At the moment, the industry is developing a consumer protection plan. However, not all the products offered by the life insurance companies would be covered, nor would they have government backing.

There are hundreds of companies across Canada that offer financial services and fund operations by issuing debt instruments that are totally uninsured. This is what happened in the Principal Group situation.

In this time of financial deregulation, in a world that is becoming more and more competitive and at a time when sales people are becoming more aggressive because of increased competition through deregulation, problems associated with naive or unscrupulous investment counsellors become increasingly important. It seems to me that this places a greater burden and a larger challenge on parliamentarians to find ways and means of protecting innocent and naive investors.

Since 1967, CDIC has required that member institutions not issue uninsured financial instruments unless they carry a

notice to that effect. Unfortunately, often this is not brought to the customer's attention and, in some instances, customers have said that they were misled and lied to by sales people about the nature of the insurance on the deposit or the investment.

There seem to be two problems. One is that some people are not aware that the institution in which they deposit their money is not insured. The other is that some individuals are unaware that the type of deposit or investment that they make determines whether or not it is insured. Those are the two critical questions we are attempting to address with this motion.

The motion would require those institutions to present the customer with a waiver form to sign indicating that the customer was made aware of the insurance situation with respect to his or her deposit or investment. This seems to me to be a sensible way of ensuring that customers are not misled by sales people who are anxious to earn more commissions and are perhaps prepared to be a little free with the truth when it comes to describing how risky a deposit or investment is.

The idea of having such a form that a depositor would be required to sign indicating that he or she is aware of the insurance aspect of the deposit or investment has the backing of the Consumers' Association of Canada. Last year, the Consumers' Association sent the Minister a letter detailing a similar proposal as a way of protecting innocent depositors.

I believe that we as parliamentarians would agree that it is time that fiascos like the one which occurred with the Principal Group not happen again. The situation that is unfolding daily as the inquiry takes place in Alberta is something we never want to see repeated again. The individuals involved, many of whom were pensioners, in some cases lost their entire life savings. The same thing happened with the British Columbia Teachers' Housing Co-op as well.

Whether or not some years hence, depositors will receive some of their money back, perhaps 50 cents on the dollar, tens of thousands of people who put their faith in a regulatory system and in the integrity of this institution were misled. We must take whatever steps are necessary to ensure that the credibility and stability of the financial community remain intact in the future. As well, we ought to take steps to ensure that innocent depositors who have faith in these institutions are not victims of some unscrupulous people in the business.

Obviously there is a need to ensure that consumers are aware if their hard-earned money is insured or not when placed in financial institutions. This motion seeks to address that problem in what I believe is a straightforward and easy to understand manner.

I might add in closing that this is simply one initiative. The intent of this initiative is not to suggest that this is the only way of dealing with the problem. There may be other ways of