think this applies to one or two other countries as well, there are special references to pensions earned in either Canada or the other country. In a sense this is ancillary to an agreement under the provisions of the Canada Pension Plan signed between Canada and the Federal Republic of Germany some years ago. There are some aspects of that agreement which have not been satisfactory. In part they will be corrected by this agreement on taxation having reference to pensions originating in either country. I suggest to the parliamentary secretary who is now in the Department of Finance that this is why there is a need for reciprocal arrangements between this country and others with regard to pensions. He will recall from his former incarnation in the Department of National Health and Welfare that there is a proposed bill to deal with that situation.

I believe the agreement with the Federal Republic of Germany, which is Schedule I to this bill, is to be effective as from January 1, 1976, some nine or ten months ago, which makes it desirable to get the legislation passed as quickly as possible if it is satisfactory to all concerned. In general we believe the bill merits approval and we are prepared to give it second reading so it can be sent to the standing committee.

Motion agreed to, bill read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

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• (1510)

CANADA DEPOSIT INSURANCE CORPORATION ACT

AMENDMENTS RESPECTING PREMIUMS, SHARE CAPITAL, ETC.

Hon. Donald S. Macdonald (Minister of Finance) moved that Bill C-3, to amend the Canada Deposit Insurance Corporation Act, be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

Mr. Bob Kaplan (Parliamentary Secretary to Minister of Finance): Mr. Speaker, the purpose of this bill is to propose amendments to the Canada Deposit Insurance Corporation Act that in the main can be described to be of a housekeeping nature. This act, which established a system of deposit insurance, came into force about nine years ago and, apart from an amendment that came forward less than a year after, no changes have been made to this legislation. This indicates, I would think, that the deposit insurance scheme was well conceived; but after that length of experience it is felt that certain changes ought to be made to the act to make certain provisions more effective, to clarify others, and, generally to enable the Canada Deposit Insurance Corporation to carry out its activities more efficiently.

Before mentioning some of the proposals contained in this bill it might be appropriate to explain briefly the deposit insurance scheme as embodied in the act and mention something about the operations of the Canada Deposit Insurance Corporation, which I will henceforth refer to as "C.D.I.C.".

The main purpose of the act is of course to provide deposit insurance for the protection of persons making deposits in banks, and trust and loan companies against the loss of part or all of such deposits. The insurance covers each deposit up to $20,000. As of the end of 1975 the deposits held in 83 financial institutions were insured by C.D.I.C. This figure represents eleven banks, thirty-two federally incorporated trust and loan companies, and forty provincial trust and loan companies. The total of the insured deposits held by these institutions at the end of 1975 was just under $49 billion.

The act provides for the payment of premiums by the insured member institutions, and at the end of the last calendar year the deposit insurance fund and accumulated net earnings had reached a level of 99 million dollars.

It should be mentioned that, apart from the basic function of C.D.I.C. under the act of providing deposit insurance, it has other powers of an incidental or ancillary nature such as the authority to assist member institutions through the making of loans and the purchase of their assets. C.D.I.C. can also act as a liquidator or receiver of a member institution when appointed by a court and in such a case assume the related expenses.

The most important of the amendments proposed in Bill C-3 relates to the growth of the assets of C.D.I.C. and the rate of premium that should as a consequence be charged member institutions. The act now requires each member institution to pay an annual premium of one thirtieth of one per cent of its insured deposits but authorizes the corporation to reduce this premium if it considers the deposit insurance fund adequate having regard to all the circumstances. However, the annual premium cannot be reduced below an amount that, when added to the total of all previous premiums paid by an institution, would equal one sixth of one per cent of insured deposits. This existing formula for the reduction of premiums has proven inadequate because the rate of increase in deposits held by the institutions has been much higher than was anticipated in 1967. The result is that the premium payments are now enough or more than enough for the deposit insurance fund to maintain a reasonable growth rate.

The objective in deciding on the level of premiums that member institutions should pay is the maintenance of a fund of assets that is adequate in relation to the total of insured deposits. A good deal of thought has been given to the problem of determining when this equilibrium has been reached. There is no sure method of achieving this, but the approach embodied in the proposal is to authorize the board of directors to assess the growth rate of the fund at the end of each financial year, and where the fund is considered adequate having regard to all relevant circumstances to make rebates, subject to the stated limitations, in respect of the premiums paid for the preceding financial year.

I might note that the directors of the corporation are deputy ministers and other government officials, and not representatives of the institutions which are insured.

This bill deals with another matter that is also related to the fact that the deposit insurance fund is soon likely to be considered sufficiently large to meet present normal require-