

*Government Orders*

that institution in the Canada Deposit Insurance Corporation.

CDIC will inform the shareholders and the subordinated debt holders of the fact that this particular step has been ordered and they will offer compensation to indicate that there will be no compensation to be offered. The shareholders and subordinated debt holders can accept or reject CDIC's offer and those who accept the offer are entitled to the amount offered and are not party to any assessment procedure which may take place.

If fewer than 10 per cent reject CDIC's offer, all shareholders and subordinated debt holders will receive the compensation offer. If there are 10 per cent more of the class that reject the offer, then an independent assessor is appointed. I think that is a positive step.

This idea is to ensure that there are not the major losses that we have seen in the past in shoring up, even though it may cost CDIC some capital and some money to get it going. Certainly the losses will be substantially fewer than the potential losses in things such as the Principal Trust, Northlands Bank, et cetera.

I referred earlier to the matter of harmonization. It certainly is a question that has arisen time and again with the banking legislation and I suggest, as has my friend from the Liberals, that in this particular case once again we are running into the problem with the harmonization between provincially regulated institutions and federally regulated institutions.

In this particular case, even though there are 35 provincially regulated financial institutions that are insured under CDIC, the financial institution restructuring process that is one of the major thrusts of this amendment cannot be brought to bear on the provincially instituted institutions. This legislation fails totally to address that particular issue. The paper put out by the government at our briefing session simply says: "Will CDIC's power under the FIRP legislation extend to provincial deposit taking institutions? Can CDIC take over a provincial led institution? The answer is simply no. Only federally regulated deposit taking institutions will come under the new legislation".

• (1700)

Without that harmonization, once again we have the uncertainty of the depositors, the uncertainty of the shareholders and dividend holders. Most people do not know whether the institutions they are depositing their life savings in are federally or provincially regulated institutions. They see a big building. They go in, the people are nice and they deposit their money. They say: "Is my money safe here?" "Oh, yes, we are all covered". They go away thinking their money is totally insured and they do not have a problem. It is not until we have a failure and these people who have worked for years and years and saved toward their retirement find out that they are totally without insurance and are left without their life's savings.

I would suggest it is not a very nice feeling for many of these people who have lost funds through some of these failures in western Canada, to have worked their lifetime and seen that security dissolve when they thought they were insured. They thought that once they deposited their money with an institution there was some expectation that it would make money and assist them in their retirement years.

Some agreement with the provinces must be looked at to ensure that it falls under FIRP and is regulated more closely by the CDIC legislation.

Another thing I would like to point out is that the relationship between CDIC, the insurance function and OSFI, the Office of the Superintendent of Financial Institutions, the regulatory function, is not clear. As my friend from Nickel Belt has often pointed out, we know that OSFI and CDIC have a close working relationship, but is that working relationship that of Siamese twins or is it of a Dr. Jekyll and Mr. Hyde nature? Under this legislation it appears that the Office of the Superintendent of Finance Institutions is losing ground to CDIC.

The other issue is the wish to know who controls CDIC. With the expansion of CDIC's board we have the chartered banks being allowed as part of the regulatory body. Perhaps with more of those senior officials being from the banks, that representation may skewer exactly where we should be going.

I suggest that the legislation in principle is good legislation which can be supported by this party. However, there are some changes that must be made during