

*Canada Deposit Insurance Corporation Act*

First of all, Clause 1 provides for additional members to be appointed by the Governor in Council. There is no reference to the qualifications appointees must have. There is no reference to whether or not they would have to present themselves before a parliamentary committee so that their qualifications might be scrutinized. The process could become *carte blanche* for a Government wallowing in the patronage trough. That is why we are concerned with the whole question of conflict of interest and why we feel this Bill deals inadequately with that potential problem.

On numerous occasions the Minister has promised us further legislation. We know CDIC has been totally incapable in the past of dealing with the many problems which have befallen financial institutions in the last number of years. Since the beginning of December, 1984, while this Government was in office, we have seen the following institutions collapse: North Guard Mortgage, Pioneer Trust, Western Capital Trust, London Long Limited, Canadian Commercial Bank and the Northland Bank.

● (1150)

I am not for one moment suggesting it is a lack of policies or the wrong policies of this Government that has resulted in the collapse of these major financial institutions. The rot has existed for a number of years. Certainly the Liberal Government must take a fair amount of responsibility for the rot that has existed for quite some time.

When you look at the resources that CDIC has had over the last number of years it is just totally amazing that the CDIC, like the office of the Inspector General of Banks, while having a vital role to perform in the regulation of a deposit taking institution, has never been considered until very recently as an essential service. Previous Governments, and to some degree the present one, have not demonstrated an attitude which would indicate that these bodies were so regarded.

In 1980, for example, when the recessionary period was beginning to take hold, CDIC had a total of five employees. In 1984 after eight trust companies had either collapsed or been in some way taken over, the corporation staff stood at 16. Even when compensating for the difference in size one is struck by the fact that the Federal Deposit Insurance Corporation in the United States has a staff of 1,500, who only deal with the liquidation of failed institutions.

I understand at present we have some 30 to 32 employees with CDIC. Yet with the number of financial institutions that they are called upon to supervise and to inspect, 32 is not an adequate number, especially when we are calling upon CDIC to play a much stronger role. We have to give them the resources in order to fulfil their mandate.

While the Minister promised legislation that would strengthen CDIC's powers, we are still waiting. I do not know how long this Government is going to continue to wait. Are we going to need further crises in the financial institutions before we see some action?

In conclusion, the Wyman committee was of the view that the primary objective of CDIC required a fundamental realignment. Not only should it insure small unsophisticated depositors against loss, but it should more prudently "administer the deposit insurance fund". The increased private sector participation in CDIC is perceived as the most appropriate means by which the fund will be replenished and managed.

However, while the Bill seeks to increase the control which the private sector has over this regulatory body, there is no corresponding increase and specific obligations of the corporation. For example, there is no emphasis placed on the corporation's responsibility to inform its member institutions as to what is and is not insured. As CDIC's legal counsel explained it "Whether or not there is an obligation on the part of the corporation I know of none that comes from the Act".

At present there are no sanctions which could be imposed on member institutions which mislead the public as to what is insured. A case in point is the Pioneer Trust case where the company was selling income averaging certificates with the CDIC stamp prominently displayed for amounts and for periods of time which were not insured.

Bill C-86 requires some fundamental changes before we will support it. In principle, we acknowledge that CDIC and the entire regulatory apparatus which controls the financial institutions operating in Canada must be reformed and reformed radically. The provisions contained in this Bill do not address the reforms needed in the manner which the collapse of the CCB and the Northland, plus the numerous trust companies, requires. It is a weak argument that to merely hand the majority control of CDIC over to the private sector members of the board of directors in the hope that, because they are from the private sector, they will know better how to manage the interests of the corporation. There must be a clear recognition that the CDIC is not to be seen as a new equivalent of the Canadian Bankers' Association or the Canadian Medical Association. It is, and should continue to be, an integral element of the regulatory system, which is separate from those whom it is to regulate, and from those in government and other agencies who would manipulate it to serve the purposes of the Government, or the other agencies or their directors, as has occurred.

While we look forward to further legislation from the Government we must register our concerns about Bill C-86. We must register our concern about placing this institution into the hands of the private sector by giving the private sector the majority over its board. We must as well express our concern that we see a trend towards greater and greater concentration of economic and financial power in this country, leading to tremendous possibilities of all sorts of self-dealing and non-arm's length transactions. This could hurt many of the institutions that CDIC is insuring and has some regulatory responsibility for. While on the one hand the need for greater regulation and control is there, on the other hand the Government has not acted in a manner that would give CDIC the