

that Canadian governments will not allow Canada's large institutions to fail. This is accomplished by injecting funds from the deep pockets of the Consolidated Revenue Fund or by using the tax system, thereby avoiding a loss of confidence in Canada's financial system, particularly by international investors.

Historically, governments have taken a number of actions to bail out Canada's financial system when it was at risk. In other words, the government has insured through its actions that Canada's financial system remains stable, and I have no quarrel with this at all.

Let me give some examples in this regard, honourable senators. First would be the handling of the problems of the banks, especially the big banks, with loans to Third World countries in the early 1980s. Our government, through the Department of Finance, relaxed the write-off rules to effectively permit banks to write off loan losses to these less developed countries over a longer period of time than was normal. Why? Because if the banks were required to write off these loans at market value immediately, as is required by both OSFI and CDIC, the effects on the banks' capital requirements would have indeed placed some of them in a very precarious position. As well, let us not forget, the taxpayer, because of the nature of the write-off, picked up a large part of these losses which resulted from the banks' poor judgment.

I have a second example. In the early 1980s a major chartered bank found itself in serious financial difficulties because of non-performing loans to Dome Petroleum, Turbo Resources, Massey Ferguson and others, which severely restricted their capital adequacy. As the record shows, the government helped that bank survive at the taxpayers' expense.

A third example is the bail-out of the East Coast fishery for political reasons and, I propose, because of the potential serious exposure of one of the major banks. All this shows that the so-called "playing field" is not level. The large financial institutions, and particularly the six banks, have continually been treated differently than the smaller financial institutions.

Would the government have taken such actions if the financial institutions were small ones? The record shows that they would not. The governments are more interested in rewarding brawn rather than brains or the entrepreneurial spirit. What does this mean? It means there is no risk that CDIC will need to insure deposits from the failure of a large financial institution in Canada because governments will not allow the institution to fail.

If the taxpayers are subsidizing large institutions in the name of consumer protection and the stability of the system — again, I have no problem with that — then they should allow for potential subsidies to smaller financial institutions as well. Then there would be a level playing field in the federally regulated deposit-taking industry.

I wish to propose the following suggestions intended to strengthen consumer protection in the financial sector. First, I disagree with Chairman Kirby over the suggestion that the regulators did not have the powers needed to act. They did have

the powers; however, they did not have the courage to use them or were forbidden to use them by governments of the day. It is appropriate for their powers to be expanded.

Hon. John B. Stewart: Would the honourable senator permit a question at this point?

Senator Di Nino: I will be finished in a couple of minutes, and then gladly answer any question the honourable senator may have.

The following proposals, some of which have been considered by the committee, will strengthen the financial industry: first, ensure that the regulators have sufficient powers to regulate the industry; second, insist that the regulators, where necessary, use such powers or suffer the consequences; third, strengthen the responsibility of the external auditors and make them responsible for their negligent behaviour; fourth, enhance the role of governance by assigning to directors, legislatively or through regulation, the principal role of looking after the interest of the depositors, not the shareholders, nor management. As well, make them responsible for negligence on their part; fifth, clarify and strengthen the criteria for entry into the financial services industry.

Honourable senators, it is not enough that the powers of the regulators be strengthened and clarified as I previously proposed. OSFI must have the courage to use such powers. Therefore, we must insist that the regulators use all the powers afforded to them, after proper consultation with the appropriate minister.

In closing, I wish to reiterate that the willingness of savers to place funds with deposit-taking institutions depends mostly on confidence in the institution and the industry. The existence of adequate deposit insurance is an important factor which strengthens financial intermediation in Canada.

Co-insurance, risk premiums or other similar schemes will lead to the potential loss of mainly smaller financial institutions, the erection of barriers to entry into the industry, and will not lead to greater market discipline. In short, I am opposed to any recommendation that discourages small enterprise in any industry, and because of this, the recommendations dealing with the co-insurance industry should not be supported by this chamber. Small business is the backbone of free enterprise and entrepreneurs are mostly small business persons. I will not align myself with those who would penalize small business or, because of legislation or regulation, restrict entry into an industry.

I urge my colleagues on both sides of this chamber, when a vote is called on this report, to stand with me and be counted at the side of millions of small businessmen and women and reject the co-insurance recommendation in this report.

Senator Stewart: Honourable senators, Senator Di Nino has stated that the superintendent already had adequate powers, but that in certain instances he failed to use the powers. The senator's plea for support from senators would be stronger if he would cite three or four instances where the superintendent failed to use the powers provided.