

• (1650)

To some extent the changes within this bill are a reflection of the problems that we have predicted within the banking legislation. They will lead potentially to the large ones taking advantage of the system we have set up to gobble up some of the smaller failing trust companies, some of the smaller failing closely held financial institutions, once again proving that the larger will become larger and the smaller financial institutions will cease to exist.

It seems to me in the interests of the larger financial institutions to sit and wait and use the merger terms to be set out within this legislation to their benefit, to wait until the share structure goes down to buy up the shares of the financial institutions with the blessing of CDIC and use an injection of funds from the Canada Deposit Insurance Corporation to assist in refinancing and restructuring within that merger.

That is one of the problems I see with this legislation.

The advantage of the legislation is also within that same section in which the Canada Deposit Insurance Corporation has the ability to ensure that shareholders and dividend holders do not take advantage of the system. When certain conditions occur, the Superintendent of Financial Institutions, the Minister of Finance, and the Canada Deposit Insurance Corporation can take certain actions to ensure that they can take over the ownership of that company—in other words, the ownership of that financial institution that is in trouble and is no longer a viable institution—thereby ensuring that shareholders who perhaps have nothing to lose by letting the company go down further and hold out for a higher amount of money for their shares will be stuck with accepting a deal with the Canada Deposit Insurance Corporation and will be assured of only receiving the value of the shares. That is a positive.

That perhaps insures depositors' savings, as we have seen in the past with the takeover by the Bank of Hong Kong of the Bank of British Columbia in which a merger was worked out. Although I believe it cost \$240 million to the Canada Deposit Insurance Corporation, it in fact saved a failure of a bank that was having problems, a provincially incorporated bank that was having problems,

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and would perhaps have failed with the result that depositors could not have got their money out.

As one who has lost money to uninsured deposits within certain financial institutions, I applaud what has been called a minor part of this particular bill which ensures that the financial institutions are able to notify their customers properly whether the deposit they have made in the institution is properly insured.

It is often in talking to people since I have been a member of Parliament and prior to that in my past occupation as a lawyer, where I have found out that many people, often seniors with small amounts of money, would deposit the money in financial institutions or in trust companies where they felt that they would get a better return on their money only to find out, often too late as in the case of some of the trust companies and financial institutions that have failed, that they were not insured by CDIC.

This is a positive step in ensuring that the CDIC member institutions will be able to provide their customers with more information with respect to deposit insurance. I applaud this move, as will people within Canada.

Let me move quickly, Madam Speaker, to what the Superintendent of Financial Institutions will be looking at in trying to see whether or not a financial institution is still viable. In looking to see whether a merger or sale of the company is viable, the CDIC and the Superintendent of Financial Institutions will look at whether that company has ceased or is about to cease to be viable, whether it is independent and relies to an excessive extent on loans to sustain its operation or has lost the confidence of the depositors and the public and whether it has regulatory capital or is about to become substantially deficient.

Under section 39.1 and throughout, it sets out the various steps that will be taken once that comes. There are 12 particular steps. I will not go through them all but I will highlight a couple of them. First of all, the troubled federally regulated institution reports major losses and OSFI, the Office of the Superintendent of Financial Institutions, will explore with the company measures to strengthen the institution. When it is deemed that there is an appropriate situation for restructuring, CDIC may recommend to the minister that a restructuring order be made, vesting the shares and the subordinated debt of