

RECOMMENDATIONS

PART I

SITUATING THE CDIC IN THE CANADIAN FINANCIAL ENVIRONMENT

A. THE ROLE OF THE CDIC IN THE REGULATORY PROCESS

1. The CDIC shall be constituted as a separate institution with its own board of directors drawn from governments, member institutions and the private sector.
2. The CDIC will function as an insurer. Its role shall be one of administering the deposit insurance funds. Since these funds are financed through premiums from insured institutions, the CDIC shall have the responsibility of acting as agent for these member institutions in managing and protecting the assets of these funds, for the ultimate benefit of insured depositors.
3. Membership in the CDIC shall be a privilege in the sense that the CDIC shall have the right to set standards for admission to and maintenance of insurance.

B. REGULATORY OVERLAP

4. While the powers associated with an insurer with respect to concerns such as solvency are typically very broad, the Committee recommends that these powers be delegated to and exercised by the primary regulators.
5. The primary regulators in conjunction with the CDIC will be required to establish a set of arrangements that will operate as an early warning system to signal those institutions that may be experiencing problems. Among the features that might be expected to be included in this early warning system would be the following:
 - a substantial increase in the flow of information from the primary regulators to the CDIC, including full and timely release of all reports and material information;
 - initiatives leading eventually to a national computerized data base relating to member institutions;
 - development of rating systems by type of institution where the primary regulators would inform the CDIC as soon as institutions fall below some agreed-upon thresholds;