

In the ongoing process of policy development that report will certainly be a key reference point. In the meantime, however, the Government feels that early action is required in certain areas specifically. We can and must make a start now on rebuilding the resources of the Canada Deposit Insurance Corporation. That step was recommended in the committee report. In addition, certain steps can and should be taken now to reinforce the regulatory powers of both the Inspector General of Banks and the Superintendent of Insurance. Those measures were proposed separately in a draft Bill. Interested parties have submitted their comments and we shall take action on those measures soon.

Let me say quite clearly that these Bills are really interim measures. They must be considered on their merits, but further and more fundamental measures must be taken to deal adequately with the broad issues facing us in the field of financial institutions. Those effective and responsible measures will be developed in the ongoing process of discussion and consultation begun last spring.

The problems affecting the deposit insurance system which are addressed in this Bill are not a recent development, as Hon. Members know. The deposit insurance fund moved into a deficit position following the failure of several member institutions in 1983, just about three years ago. The deficiency in the fund at the end of the 1983 calendar year was \$332 million. This deficit was based on estimated losses totalling \$650 million arising from the failure of several member institutions in 1983. In its 1984 annual report the Corporation revised its estimate of expected losses to incorporate a change in the accounting treatment of member institutions which are in the process of being wound up through agency agreements, and to reflect the failure of member institutions in 1984 and early 1985. As a result of these provisions the 1984 annual report indicated that the deficit in the fund totalled \$871 million. It is the corporation's belief that this provision was more realistic and reflected more accurately the financial risk attached to the likelihood of recovering the funds advanced by the corporation to institutions experiencing financial troubles. More recent failures this year have put added pressures on the deposit insurance system.

The basic function of the CDIC has been to provide insurance for small depositors through an insurance fund financed by premiums paid by member institutions. It has always been intended that this would be a self-financing operation and, under its statutory powers, the CDIC has been able to finance the deficit of recent years through loans from the Consolidated Revenue Fund. That is not a long-term solution and it has been evident for some time that the deposit insurance system should be returned to a sound, self-sustaining basis. The CDIC plays a key role in supporting public policy objectives in the financial system, particularly in the protection of consumers, which has to be our number one goal, and in contributing to public confidence in the stability of our system.

Those were the main considerations in the action I took last January to set up a committee from the private sector to evaluate and recommend changes to the deposit insurance

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system. This was done by a committee chaired by Robert Wyman of Vancouver which submitted its report last spring, and I do want to commend Mr. Wyman and his fellow members of the committee for the very substantive piece of work they did.

When the problems of the Canadian Commercial Bank and the Northland Bank were made public on September 1, I reaffirmed this Government's determination to follow through with action in this field. Under this Bill the premiums paid by CDIC member institutions into the deposit insurance fund will be increased from the present level of one-thirtieth of 1 per cent to one-tenth of 1 per cent of insured deposits. That premium rate is consistent with the recommendation of the standing committee. There is a sunset provision as well. The legal authorization for this increase will expire at a given time, and it was designed so that a subsequent level of premium payments can be determined as part of the complete review of the deposit insurance system which is now under way. That review was advocated by the Wyman Committee which also recommended an increase in the rate of premium payments.

Other recommendations of the Wyman Committee Report, including further steps to restore the financial position of the deposit insurance fund, are being considered in the over-all policy review of CDIC legislation. The elimination of the CDIC deficit will necessarily be an extended process, and the earlier we begin, the better. The longer we delay an increase in premiums paid to the CDIC, the higher the deficit will grow due to the burden of interest payments to finance past deficits. At the level of insured deposits in 1984, the CDIC will have a premium increase of over \$160 million with a higher premium rate. This will greatly assist the corporation in recouping its deficit. I therefore urge Hon. Members to pass this Bill as expeditiously as possible.

In this Bill as well the Government has decided to take immediate action on another recommendation of the Wyman Committee that the composition of the board of directors be broadened through the appointment of directors from outside the Public Service. Such individuals would bring to the corporation knowledge and expertise from the private sector, perhaps a regional perspective, and thereby enhance the decision-making process at the board level of the CDIC. The Bill would authorize the appointment of up to four directors who are not employed in any capacity in the Public Service of Canada. At present the CDIC board consists of five members: The Chairman of the Board, who comes from outside the Public Service, the others are board members by virtue of their office; the Governor of the Bank of Canada; the Deputy Minister of Finance; the Inspector General of Banks; and the Superintendent of Insurance. The Government was fortunate earlier this year in obtaining the services of Ronald McKinley, a former Chairman of the Clarkson Company, as Chairman of the CDIC. Mr. McKinley will make and has already made a valuable contribution in developing and implementing new policies for the CDIC. The proposal in this Bill will enable us to seek out further expertise from the private sector in the process of strengthening the deposit insurance system.