

members of the support group are reimbursed. When other members of the support group have been reimbursed, the Bank will pay CDIC annually, in quarterly instalments, 50 per cent of pre-tax income until CDIC's participation in the restructuring package has been eliminated.

CDIC's involvement stems from the knowledge that if the Bank had been allowed to fail, the pay-outs in insured deposits could have exceeded its contribution to the support package. In that case the funds would not have been recoverable. Consequently, this approach represented the most cost effective manner of dealing with the present situation.

Although the funds the support group members are advancing do not carry a rate of interest, the agreement reached between the support group members and CCB provides for the issuance of warrants which give holders the right to purchase common shares of CCB. These warrants will expire 10 years after members of the support group have been reimbursed. The agreement has been structured so that these warrants will not be exercised until the bank has been restored to financial health and is once again a profitable operation. These warrants serve two purposes. First, they should yield a return to the members of the support group for participating in the restructuring package. Second, the execution of these warrants will result in a significant dilution of existing shareholders' equity in the Bank.

Paragraph 2(b) of the Bill enables the Government to acquire, hold or dispose of transferrable rights or warrants to purchase common shares in CCB so that the agreement can be implemented.

In an ancillary agreement, the Governments of Canada, Alberta and British Columbia agreed to purchase \$39 million of the Bank's outstanding debentures. This was necessitated because the support group required the debenture holders to forgo payments of principal and interest during the term of the support package. Since this agreement was not forthcoming, the three Governments co-operated in purchasing the outstanding debentures and waiving payments on them.

Paragraph 2(c) of the Bill establishes the federal Government's right to acquire, hold or dispose of bank debentures issued by CCB in accordance with this agreement.

Paragraph 2(d) establishes the federal Government's right to enter into any agreement or arrangement necessary or incidental to any activity referred to in paragraphs (a), (b) or (c).

I should also like to mention that the Canadian Commercial Bank has agreed to co-operate fully with the Inspector General of Banks who will communicate with members of the support group concerning the ongoing monitoring of the bank. Some Hon. Members have asked why we did not act in a similar manner with the Pioneer Trust Company. I can only repeat what I have already told the House, namely, that Pioneer Trust had been searching for an infusion of capital for some time. It had been unable to find additional capital in the private sector without the assistance of the Government of Saskatchewan. That Government came to the conclusion that

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it could not participate in an infusion of equity into Pioneer, and the management of Pioneer voluntarily closed its doors. The hard fact is that in the case of Pioneer Trust a joint federal-provincial-private sector package was not possible. In this case it was the opinion of the provinces, the private sector and the federal Government that a viable operation could be maintained, and we were therefore prepared to assist in the financial restructuring of the Bank.

In addressing the House I want to make clear that swift action is in the best interests of the Canadian financial system and, by extension, all Canadians. The Government's action is also in recognition of the particular needs of western Canada and the many small and medium-sized companies whose loans are held by the Canadian Commercial Bank. The Government believes that the speed with which a four-party agreement was reached—an agreement between two provincial Governments, the private sector, CDIC and the federal Government—is a significant achievement in co-operation. It is also an indication of the serious attitude which all parties have taken in the matter.

The consequences of not acting with all due haste would be to create uncertainties concerning the stability of our financial institutions among the international financial markets. In addition, Canadian businesses in the western provinces, both those which have dealings with CCB and those which do not, would be unsure of their financing until such time as this matter was dealt with in the House. A loss of confidence in our financial system would lead to downward pressures on the international value of our dollar. As Members of the House are well aware, this could put upward pressure on interest rates at a time when we are all united in the belief that lower interest rates would be beneficial to our economic renewal.

I am sure all Hon. Members will agree with the need to share with the provincial Governments in protecting the economies of the western provinces. This is why I am asking for all-Party approval and passage of the Bill.

Some Hon. Members: Hear, hear!

Miss Aileen Nicholson (Trinity): Mr. Speaker, the Official Opposition agreed to suspend other business of the House in order to expedite the Government's Bill authorizing financial assistance to the Canadian Commercial Bank because we recognized the importance of preserving confidence in our banks and our financial institutions. We recognize that this Bank's situation had reached crisis proportions, that it was necessary to take prompt action to deal with the situation and that it would be in the public interest to facilitate that action.

● (1630)

In response to a question put in the House the other day, the Minister had stressed that the Government was concerned about the shareholders of the Bank and indeed, when one looks at the list of shareholders, one sees that that is a very understandable concern. The shareholders include the Caisse de Dépôt et Placement du Québec or the Quebec Provincial pension fund, the Great-West Life Assurance Co., the Canadi-