

*Canada Deposit Insurance Corporation Act*

comprehensive legislation rather than these small band-aid programs that we are seeing as with the present Bill.

Bill C-86 simply increases the premiums for one year. The whole question of the long-term financing, the long-term purpose of the CDIC is left unanswered. The question of the role of CDIC in regulation, if any, is left unanswered. The question of staff resources for CDIC in response to the many new roles CDIC is carrying out is also left unanswered.

● (1130)

The Bill adds up to four private sector board members. Hitherto the chairman was the only private sector board member and the other members were public servants: the Governor of the Bank of Canada, the Deputy Minister of Finance, the Inspector General of Banks and so on. I think the addition of private sector directors is a useful step forward, although it raises questions of conflict of interest. The Bill does not deal in a substantial way with that. It simply requires the board to put together some guidelines for conflict of interest. The guidelines were tabled with the legislative committee which examined the Bill. It would have been more satisfactory to have had some standards included in the Bill itself, but an amendment to that effect was defeated in this House.

On the question of public service directors, the Bill allows for substitutions. In other words, if the Deputy Minister of Finance does not wish to attend a meeting of the CDIC he can send an alternate. This was discussed at the legislative committee. I do not think that most of us were very satisfied with the idea of rotating membership. We would really prefer the public service members to be constant, just as the private sector members are constant. However, that remains in the Bill for now. It is perhaps something we can return to when dealing with whatever the Government offers by way of substantial legislation on CDIC.

I would like to conclude by speaking again of what the Bill does not do. All of us in the House are concerned about ownership restrictions on financial institutions. It does not seem likely that the Government is prepared to deal with that question up to this point. If the Government opts for no ownership restriction in financial institutions, which looks to be the way things are going, surely there should be some related changes to Canada deposit insurance legislation. The President of Canada Trust suggested that in this event no deposit gathering institution with individual direct or indirect ownership of over 10 per cent should be allowed to have its deposits covered by federal deposit insurance. He said:

If "individual trust company owners" really deem themselves beneficial to the economy, they should stand tall and let the public decide if it wishes to have deposits on an uninsured basis with institutions controlled by one or a few individual owners.

There was a tremendous amount of evidence before the finance committee that linked self-dealing or related party transactions that were not in the best interests of the financial institution with limited ownership. Institutions that are broadly owned and well capitalized seem to be able to provide

their depositors with a degree of assurance that does not exist where ownership is highly concentrated. Yet, the Government is not prepared to move on the ownership question. It has been pointed out that the companies which have failed in Canada as well as in the United States and Europe have almost always been closely owned. In a speech given by the President of Canada Trust in February, 1985, he said:

If the federal Government opts, as we judge it will, for no ownership restriction, there is one change which we believe should be made to Canada Deposit Insurance legislation.

No deposit gathering institution with individual, direct or indirect ownership over 10 per cent should be allowed to have its deposits covered by federal deposit insurance. . . . Had such a law been in effect over the last ten years Canada Deposit Insurance Corporation losses would likely have been minimal. We don't believe that the Astras, Greymacs, Seaways, Fidelities, etc. could have put their hands on very much "other people's money" without the umbrella of federal deposit insurance.

That is the issue, Mr. Speaker. If the Government is not prepared to move on ownership generally, there is a case to be made at least for limiting deposit insurance to broadly held institutions and making this very well known to the public. The consumer has been at risk through lack of information. However, I am not advocating this narrow course of action because I have not yet given up hope that the Government will move on the ownership issue.

I noticed the chairman of the finance committee busily making notes so I assume he is going to speak. I hope that he, too, is going to address the ownership question.

**Mr. Simon de Jong (Regina East):** Mr. Speaker, I, too, wish to participate in the discussion on Bill C-86 which makes two major amendments to the Canadian Deposit Insurance Corporation Act. One is to increase the premiums charged to the member institutions for the insurance of deposits up to \$60,000 from one-thirtieth of 1 per cent to one-tenth of 1 per cent. This is necessary because of the big deficit position which CDIC has found itself in. It is a necessary move and we have no objection to it.

The other major amendment to the Canadian Deposit Insurance Corporation Act which Bill C-86 brings forward is to change the majority on the board of directors of CDIC to the private sector. Presently CDIC has a board of five members, the chairman coming from the private sector and the four members being the Governor of the Bank of Canada, the Superintendent of Insurance, the Inspector General of Banks and the Deputy Minister of Finance. As a result of Bill C-86, through Orders in Council the Government will appoint five additional members from the private sector.

● (1140)

The concern we have is that the CDIC Board will in essence become like The Canadian Bankers' Association. We are concerned that the majority of people on a public board with responsibility to supervise deposit taking institutions will be from the private sector. We have the concern as well that with this specific provision the majority position will in the future be held by private rather than public sector people. While the