

The Hon. the Speaker: It was moved by the Honourable Senator Gigantès, seconded by the Honourable Senator Hébert, that this bill be read the second time. Is it your pleasure, honourable senators, to adopt the motion?

Hon. Senators: Agreed.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Speaker: Honourable senators, when shall this bill be read the third time?

On motion of Senator Bosa, for Senator Gigantès, bill referred to the Standing Senate Committee on Legal and Constitutional Affairs.

STATE OF CANADIAN FINANCIAL SYSTEM

CONSIDERATION OF REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON STUDY—DEBATE CONTINUED

On the Order:

Resuming the debate on the consideration of the thirteenth report of the Standing Senate Committee on Banking, Trade and Commerce, entitled "Regulation and Consumer Protection in the Federally-Regulated Financial Services Industry: Striking A Balance," tabled in the Senate on November 22, 1994.—(*Honourable Senator Di Nino*)

Hon. Consiglio Di Nino: Honourable senators, I rise to participate in the debate on the report of the Standing Senate Committee on Banking, Trade and Commerce. I will not repeat the title; it is too long.

Although I am prepared to support many of the recommendations contained in the report, there are some to which I take exception: those that will discriminate against small business, particularly the recommendations dealing with co-insurance, which is the area I will be speaking on today.

Honourable senators, before dealing with the recommended changes to deposit insurance, I wish to briefly discuss the recommendations dealing with stacking. First, the definition of stacking needs to be clearly stated. The report does not do this. I urge the Standing Senate Committee on Banking, Trade and Commerce to do so.

I suspect some abuses in stacking of accounts is taking place. I also suspect that the instances of abuse are insignificant. What concerns me is that, in attempting to fix a small leak, the committee's recommendations may be preventing spouses, children, family members, or sheltered accounts of such family members such as RRSPs and RRIFs from being held at the same institutions.

Honourable senators, surely this report cannot be saying that a person and his or her spouse, having separate accounts in the same institution, would only be covered fully up to \$30,000? When I asked Senator Kirby that question last Tuesday, his response was, and I quote:

We did not deal with the related-persons problem.

That, honourable senators, is mainly how stacking takes place. Most of it is quite innocent, regular, and without abuse.

Rather than take the time at this stage, if a colleague has a question on the issue of stacking, I will be pleased to attempt to answer it when I finish my remarks.

Honourable senators, I will now argue against the report's suggested introduction of co-insurance. My arguments are based on the following six considerations: One, it will force smaller financial institutions out of business; two, it will create barriers to entry for new financial institutions, specifically smaller institutions wishing to enter Canada's financial sector to fill a specific market need; three, it will not lead to greater market discipline, as some suggest; four, self-interest motivates some to advocate these kinds of schemes; five, any changes in insuring deposits of federally chartered institutions without corresponding changes to provincially chartered ones will create an uneven playing field; and six, it will create two classes of institutions. It is this consideration of creating two classes of institutions that I find most alarming.

Senators may be aware that two reports were recently tabled in the other place, one entitled "Taking Care of Small Business" from the Standing House Committee on Industry, and a report to ministers from the Small Business Working Committee entitled "Breaking Through Barriers: Forging our Future." Both committees alluded to the idea that the financial system is not responding to the needs of small business, and that we need more competition in the industry. As a result, the report to ministers recommended that the federal government use its leverage to increase competition among these financial institutions. The Industry Committee report went one step further by recommending that the government consider creating a new category of banks with a primary focus on financing small business.

The reason I mention these two reports is to point out that, with the recommendations contained in the Senate Banking Committee's report on the CDIC, new institutions will find it extremely difficult to compete, resulting in less competition, not more. Additional and stronger competition is required to meet the needs of business, especially small business. The recommendations contained in the Senate Banking Committee report violates this principle by, in effect, decreasing competition among financial institutions.

• (1520)

Honourable senators, my argument against co-insurance, risk premiums or other similar schemes should not be construed as an argument against the need to strengthen consumer protection in Canada. On the contrary, I support the ongoing work of the Banking Committee in the area of consumer protection for the simple reason that the willingness of savers to place funds with deposit-taking institutions depends greatly on their confidence in the system and the industry.

Deposit insurance is one of the measurements of the relative strength of financial intermediation in Canada. On that point, at the conclusion of my presentation, I will propose a number of suggestions to strengthen consumer protection in Canada while taking into consideration the need to address problems which have developed in our financial system.