

That said, we want to do a good job for the Senate and for all Canadians. Therefore, do not put too much pressure on us, and please give us all the time we need to do a good job.

[English]

**The Hon. the Speaker:** It was moved by Senator Neiman, seconded by Senator Roux, that in amendment the following words be added to the report:

...and that the committee retain all powers necessary to publicize the findings of the committee contained in the final report until March 30, 1995.

Is it your pleasure, honourable senators, to adopt the motion in amendment?

**Hon. Senators:** Agreed.

**The Hon. the Speaker:** It was moved by the Honourable Senator Neiman, seconded by the Honourable Senator Roux, that this report be adopted as amended now.

Is it your pleasure, honourable senators, to adopt the motion?

**Hon. Senators:** Agreed.

Motion agreed to and report adopted, as amended.

## STATE OF CANADIAN FINANCIAL SYSTEM

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

The Senate proceeded to 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.

**Hon. Michael J. Kirby:** Honourable senators, in rising to comment on this report, I wish to begin by making a couple of observations.

First, the recommendations in the report represent a very strong consensus among committee members on both sides of the chamber, although, as you will gather from a number of other comments which will be made in this debate, not necessarily complete unanimity. However, there was certainly a strong consensus on every one of the recommendations.

Second, I wish to thank Senator Angus. He and I were assigned the task of drafting the final report. Senator Angus, I have discovered, is an extremely meticulous lawyer. I am neither a lawyer — for which I am often grateful — nor am I as meticulous as he is. The many days he spent editing the report led to a document which is considerably more readable than it would have been had he not been working with me.

Honourable senators, I want to address three major issues in the report that have led to considerable comment, partly in the media, partly by special interest groups. Then I will leave to other senators, who I know intend to participate in the debate, explanations of some of the more detailed subjects in the report.

Before addressing these three issues, however, first I want to establish the principles upon which the report was founded. Essentially, we tried to strike a balance on two very difficult issues. The first is the extent to which the regulatory system governing Canada's financial institutions, both deposit-taking institutions and the life and health insurance firms, ought to be strong and, on the other hand, flexible.

The problem with an excessively rigid system is that while it ultimately guarantees that there will never be failures, it also guarantees that it will be impossible for Canadian financial institutions to compete in an increasingly competitive and global business. In other words, to tie the hands of Canadian businessmen in the financial services sector is to make it impossible for them to compete internationally.

On the other hand, if your regulatory system is too weak or too flexible, you inevitably end up with too many failures. The result of that is a significant cost on Canadian consumers, whether they be depositors or people who are buying products from life and health insurance companies.

In this report we have tried to strike a reasonable balance between those two extremes: a too rigid regulatory system and a too weak one.

The second balance we attempted to achieve was between consumer protection on the one hand and consumer responsibility on the other. We wanted to increase somewhat the responsibility of Canadian consumers for decisions they make as to where they deposit their money and where they buy their life and health insurance policies. At the same time, we recognize that there is a public policy responsibility to protect particularly unsophisticated consumers. Our recommendations try to offer that protection, and also ensure that sophisticated consumers have adequate information on which to make their decisions. The recommendations in this report attempt to achieve a balance between how we give adequate consumer protection on the one hand and, at the same time, begin to transfer some responsibility to consumers for decisions they make.

Honourable senators, with reference to these two balances, I now wish to comment on three specific issues in the report. The report contains 42 recommendations. Obviously, I am not coming anywhere near covering that number when I say I will simply talk about three major issues in the report.

The first major issue that the report deals with is deposit insurance. The current situation in Canada is that if you deposit money in a deposit-taking institution such as a bank or a trust company, and if that bank or trust company goes into receivership or goes bankrupt, you are guaranteed to get your money back, up to a maximum of \$60,000. In other words, the first \$60,000 deposited is 100 per cent insured.

I might add parenthetically that if you know how to manipulate the system, you can get substantially more than \$60,000 insured. We have in the report an illustration of how, if you adjust your funds correctly, you can insure over \$500,000 because of the way the rules currently read. We have proposed measures to eliminate this problem, known as "stacking."

Most significant, we have proposed a very important change in the level of deposit insurance. Under our recommendations,