the former Government directed that the Canada Deposit Insurance Corporation borrow money on the Seaway matter, the Greymac matter and the Crown Trust matter from the trust companies it had appointed as the agents to wind up those defaulting trust companies. Until very recently, Central Trust was able to receive one-quarter over Canadian bank prime rate to lend money to the Government of Canada. The Midland Bank which, as shown by the Morrison Report, was largely responsible for the shenanigans that went together with the Seaway matter, was able to receive one-quarter over bank prime rate for the money the Midland Bank lent to the CDIC to organize that receivership. Much of the problem with this corporation exists because not only did it borrow money but it borrowed money on the guarantee of the Government of Canada that it be lent at one-quarter over bank prime rate. In other words, the Government required the CDIC to pay more than any Crown corporation or agency of Government has ever had to pay in interest. Why was that? Because the Government wanted to hide back in the bush the cost of what it was doing.

Hon. Members will know that in Supplementary Estimates (B) filed this year, the present Government is coming clean with the people of Canada. It put through an estimate of nearly the $900 million required to pay the liability run up over those years of bailing out uninsured depositors. Yet we heard the rhetoric of the Hon. Member for Winnipeg North Centre (Mr. Keeper) who was talking about uninsured depositors. They bailed them out and we had to pay the cost of that bail-out.

It is important that this Bill pass and that it pass quickly. It is important for the House of Commons to get down to the business of reorganizing the inspection system and the prudential management system of financial institutions. The management and supervision of these institutions has been sadly lacking. We have all heard and seen the evidence on television and elsewhere given before the Estey Commission. Many of us who were involved in the report of the Finance Committee heard a great deal of evidence, both in public and *in camera*, with respect to how institutions in the financial field were supervised and managed. It is time the Government brought forth a package of legislation. It is my hope that the Minister will be bringing to the House a package of legislation which will get down to the business of properly supervising and managing our institutions.

● (1620)

Mr. Deputy Speaker: Questions or comments? Debate.

Mr. Howard McCurdy (Windsor-Walkerville): Mr. Speaker, I must confess that I do hesitate to rise to speak to a Bill relating to a matter which is somewhat arcane to a microbiologist by trade. However, there are some observations I do wish to make now that the opportunity has presented itself.

The Bill, as has been indicated by several previous speakers, attempts to implement some needed changes in the manner in which the Canada Deposit Insurance Corporation functions. This really is just a part of a whole list of changes which have been recognized as necessary in the regulatory system for financial institutions in Canada. As has been indicated in the Wyman Report and elsewhere, there has, over the last decade or so, been rather dramatic changes in the economic and political conditions which affect the environment in which our financial institutions operate. We are familiar with most of these; double digit inflation, rather more dramatically extreme business cycles, frequent changes in interest rates, high interest rates and Government deficits. In this environment, financial institutions sought rapid growth and higher profits and this was in part pursued through new technologies being made available, especially in the area of computers and communications, including credit cards, automated teller machines, satellite communications and so on.

As a consequence, the financial services industry has changed immensely. There are new products such as daily interest accounts. Rapid transfer of funds from across international borders is now possible in response to perceptions of imminent dangers. We have had an increased muddying of the waters regarding the separation of what is termed the four pillars; banking, trust, insurance and investment.

The regulatory mechanism clearly has not kept pace, nor has the Canada Deposit Insurance Corporation. In addition to the federal Government's Green Paper on the Regulation of Financial Institutions, and the House Finance Committee's report on financial institutions, we have had two reports specifically having to do with the CDIC, the Wyman Report and, of course, the Senate Banking Committee report on deposit insurance.

The period from 1967 to 1982, as we know, was uneventful for the CDIC. Indeed, through much of that period rebates were returned on premiums because of the surplus which existed in the insurance fund. However, in 1982 there was a rather dramatic change which was the first sign of more serious and catastrophic changes which have occurred in the last year. One of the events which most recently took place was the failure of the CCB and the Northland Bank. The Wyman Report and the Senate report suggested a number of changes to the CDIC to permit it to operate in a high risk environment, to control the degree of risk to which it was exposed and to put it on a more sound financial basis. In general, what was recommended both by the Senate report and the Wyman Report was to allow the Canada Deposit Insurance Corporation some ready degree of selectivity with respect to its making available insurance and its continuation for financial institutions based upon certain standards of performance.

Corollary to this, it was pointed out that the CDIC should have the mechanisms for getting greater information with respect to its insured institutions which would adopt standards of performance which the CDIC would monitor. Furthermore, both reports recommended that there be greater authority accorded to the CDIC to step in and ensure that the operations of insured institutions met standards which would put such institutions on a solid basis, and to be able to do so promptly.

In order to do all of this, the need was pointed out for increased staff to carry out these regulatory, supervisory and