

Trust Companies Act

[Translation]

Mr. Léonel Beaudoin (Richmond): Mr. Speaker, I should like to comment briefly on Bill S-8, An Act to amend the Trust Companies Act.

As it was explained, the aim of this bill is to give additional investment powers to trust companies, set stricter control over those which are in a precarious position, extend investment restrictions in cases of conflict of interests and, finally, establish a system of letters patent for incorporating new trust companies and amending the charters of existing companies.

It is known that under the present act, a trust company can hold and invest trust funds, act as executor or security transfer agent, administer and invest cash deposits, or hold and administer real estate.

Those functions are important, because in Canada there are nine federally incorporated trust companies coming under the federal Superintendent of Insurance, while there are ten provincially incorporated trust companies also coming under the Superintendent of Insurance. Those trust companies alone are administering more than \$3.5 billion, while some 40 trust companies coming under provincial jurisdiction are administering assets amounting to almost \$11 billion.

Those companies have a great influence on the economy as a whole, because they can invest their assets, their reserve funds, their social capital and their deposits. Most of the investments of trust companies are guaranteed by the Canada Deposit Insurance Corporation Act.

As has been done for Canadian and British insurance companies through recommendations in bills S-6, and S-7, from now on trust companies will be able to make mortgage loans up to 75 per cent of the real estate value, provided the surplus of the loans be guaranteed by a government agency or an insurance company.

Mr. Speaker, we support the legislation which makes more money available to the public while giving it a better protection.

As in the case of insurance companies, Bill S-8 also enables trust companies to establish subsidiaries which will be able to manage mutual funds or mortgage loans companies.

The proposed amendments to the act provide stricter conditions regarding loans to directors, administrators and other important shareholders.

[Mr. Saltzman.]

I believe this is a very reasonable guarantee for the protection of the public.

With a view to ensuring even greater protection to the public, the proposed amendments will enable the Superintendent of Insurance, on advice from the Minister of Finance (Mr. Benson), to better control the operations of these companies, especially when they are in financial difficulties, when they exceed their borrowing powers or when their liabilities surpass their assets. In such cases, the Superintendent of Insurance may cancel their permits.

We are in favour of these provisions as well as the one calling for the yearly renewal of the permits.

Among other substantial changes that we approve of, I would like to mention the obligation for these companies to publish a quarterly statement of their liquidity position and a half-yearly statement of their investments and loans.

As I said earlier, new trust companies are incorporated under letters patent. However, contrary to what was being done, that is, with respect to the joint stock capital, when each case was considered on his own merits, which led to some kind of favoritism or discrimination, the proposed amendment to the act, which we support, will have the effect of doing away with those anomalies, because, from now on, every trust company, in order to start in business, will have to have a minimum capital of \$1 million.

We therefore support the provisions of Bill S-8.

[English]

Mr. Steven Otto (York East): Mr. Speaker, I was amazed, and I am sure all the banks would be amazed, to know that the defence of their monopolistic position comes from the hon. member for Waterloo (Mr. Saltzman) who has just spoken. He seemed to indicate that there was nothing wrong with allowing the banks to have almost a monopoly in the area of finance, but he seemed to think that there was something very wrong with this bill. May I just take a moment to put him straight by saying that the moral suasion that he speaks about that we, the Canadian people, have on the banks or that the government has, is a myth. Consider that banks have practically relegated to the lowest priority their real purpose of financing commerce and trade, and have gone helter-skelter into the good old usury market of Chargex, Scotiacards and whatnot. At 34 per cent a