small in relation to the company's resources, the act would not apply. Nearly all companies borrow to some extent from time to time, and it is intended that this act apply only to companies that are significantly acting as investment intermediaries.

Investment dealers or brokers would be exempt from the act if they are licensed by a public authority. Such organizations do not act as investment intermediaries in the normal sense of the term, although they may borrow money and may have a substantial portion of their assets in the form of investment-type instruments from time to time. It is thought that they could be exempted if they are licensed by some public authority. Firms that are members of the Investment Dealers Association would fall into this category.

A further exclusion would apply to companies that borrow only from banks or from substantial shareholders. Substantial shareholders are defined as persons who own more than 10 per cent of the voting stock of the company. Companies that borrow only in this way are not raising funds from the public. Most companies borrow from time to time from their banks, but may not be acting as investment intermediaries in any ordinary sense of the term. The exclusion in favour of bank-borrowing would therefore avoid requiring the act to apply to a great many companies that are not of the type where supervision is required or justified. The exclusion in favour of companies that borrow only from substantial shareholders would leave out private companies for the most part.

Another exclusion would be in favour of companies incorporated under part II of the Canada Corporations Act, that is, companies that are formed without share capital for charitable, religious or other similar purposes. The minister responsible for the act would also have the right to exclude a company if he is satisfied that the business of investment is carried on by it in only an incidental way or is of a very short duration.

The purpose of these rather elaborate provisions dealing with the application of the act is to confine its application to companies that are acting as investment intermediaries in a significant way and have a significant amount of debt instruments outstanding.

In order to avoid applying the act to an industrial organization that is set up in the form of a holding company with subsidiary operating companies, provision has been made for regarding the investments by a parent company in a subsidiary as not being investment type instruments for purposes of testing the application of the act so long as the subsidiary is not itself a company that has more than 40 per cent of its assets in investment-type instruments. Thus, a holding company that borrows money from the public and uses the money to finance its operating subsidiaries would not be subject to the act.

Companies subject to the act would be required to file an annual statement with the federal Department of Insurance within four months after the close of its fiscal year. The statement would be in such form as the Superintendent of Insurance determines, but he has the authority to accept a copy of the financial statement and the auditor's report as submitted to the company's shareholders if he considers that this gives satisfactory information. He may also call for such additional information as he may require to carry out the purposes of the act.

The act would require the auditor of a company to be an accountant who has at least six years' experience and who is a member in good standing of an institute or association of accountants incorporated under the authority of a province. This is the same qualification required of auditors under the Bank Act. It may be noted here that companies subject to the Investment Companies Act would also be subject to the Corporations Act, and consequently would also have to comply with the audit provisions specified in that latter act. The minister would have power to enlarge the scope of the audit if he thought that necessary and could obtain reports from the auditor. The Superintendent of Insurance would have power to examine companies subject to the act when he considers that necessary.

The only provision modifying the powers of companies in any way would be a provision preventing investments and loans that are not at arm's length. This provision is the same as that included in the bills to amend the Canadian and British Insurance Companies Act, the Trust Companies Act and the Loan Companies Act that are now before Parliament. In essence, this provision would prohibit an investment company lending money to an officer or director or a member of his immediate family, and from lending money to any person who owns more than 10 per cent of the voting stock. If more than 10 per cent of the voting stock is owned by a corporation, the investment company could not make investments in that corporation.