

in XYZ Companies but you can invest in the ABC Company. It gives the classification and condition attaching to the bonds. There are various classifications, such as preferred shares, common shares, real estate, and they must fall in that category. If that provision is violated all that happens is that the Superintendent of Insurance makes a report to the minister that the assets are reduced by this amount, or if the assets are over-valued in the opinion of the superintendent he may call for an appraisal; he may make an appraisal himself, and if he finds that the appraised value is less for the purposes of that report to, I think, the Treasury Board, they are reduced.

If you are treading on the dangerous ground where you find, on the basis of the report of the superintendent, that the assets are less than the liabilities, then the minister can call a halt; he can refuse to renew the licence; he can put you on terms of renewal, that this situation must be cured within a period of one, two or three years. This is the way it works under the Canadian and British Insurance Companies Act.

Under the Trust Companies Act and the Loan Companies Act, while you have a similar provision, there is a limitation on the kind of investment which a loan company may make. For those who are curious it can be found in section 60. Roughly speaking, the character of the investment is similar to that in the Canadian and British Insurance Companies Act. There is an asset limitation of 25 per cent of the assets that may be invested in stocks et cetera. There is also a 5 per cent limitation that may be invested in income-producing real property. Other investments and loans are limited to 15 per cent of the unimpaired paid-up capital and reserves. Loan companies are authorized to receive deposits. One can understand the meticulous care taken in connection with the areas in which investments may be made. There are limitations to assure some satisfactory quality to the investments. In the Trust Companies Act and the Loan Companies Act there is a limitation on the borrowing that loan companies may make, limited to four times its paid-up unimpaired capital stock and reserves.

You can see that behind this the trust and loan companies are handling deposits, and they must carry on their business in such a way that they do not imperil or impair it.

Now, in the Small Loans Act you have provisions as to limitations on investments that a small loan company may make, and

they are very brief. You are prohibited from investing or loaning money on real estate, and you are prohibited from taking deposits. You are permitted to loan or invest in notes or bills of exchange, and in all these cases you have the power of inspection. You do have the requirement of registration, a certificate of registry which gives the minister the control.

I indicated to you that I like the provisions under the Trust and Loan Companies Acts because it seems a more rational way of dealing with this matter rather than swinging a big stick, by proceeding with winding-up and/or with bankruptcy and immediately facing the conflict as you would have between federal and provincial jurisdiction, with the rights of secured creditors and their instruments of deeds of trust, which would entitle them to go into a superior position in control of these assets.

Section 72 of the Loan Companies Act says, if as a result of the inspection which the superintendent has made, and in his report to the minister he believes that the assets of the company are insufficient to justify its continuance in business, he shall make a special report to the minister on the condition of such company. Then it says:

(2) Where the minister, after a reasonable time has been given to the company to be heard by him, and upon such further inquiry and investigation as he sees fit to make, reports to the Governor in Council that he agrees with the opinion of the Superintendent, the Governor in Council may, if he also concurs in such opinion, suspend or cancel the licence of the company, and the company shall thereupon cease to transact further business.

It continues:

(3) The Minister may, during such suspension or cancellation, issue such conditional licence as he may deem to be necessary for the protection of the public.

The public have a large stake in it, when they have put their money into a company which has invested in various types of assets, and steps are being taken which will immediately and substantially depress their value; whereas, if you have a more orderly and rational method of approach, it may well work to the greater advantage of those who have money at stake.