That the debate on the motion of the honourable Senator Desruisseaux, seconded by the honourable Senator Sparrow, for the second reading of the said bill be resumed forthwith.

Motion agreed to.

SECOND READING

Pursuant to the above motion, the Senate resumed debate on the motion for second reading of Bill S-17, respecting Investment Companies.

Hon. John J. Connolly: Honourable senators, first let me express my very deep personal appreciation to all of you for agreeing to this unusual procedure. Normally when a bill is read a second time it is not appropriate to reopen the debate. The fact that the events occurred last evening in the way they did and that I am in this position today, is my own fault. I did not realize that the honourable Senator Hayden was going to speak last evening. In any event, I thought the debate would have been adjourned to a future date. Had I felt that the bill might pass second reading, I certainly would have asked that the debate be adjourned on my behalf. I therefore appreciate the indulgence you have afforded to take part in the debate on this bill, which I consider to be of great importance to the Senate and indeed to the country at large.

Honourable senators, I do not think anyone would question the basic ideas behind Bill S-17. Investors in Canadian financial institutions, regardless of where they live, are entitled to assume that the companies in which they invest do not fall into the hands of persons or corporations who are incompetent or practice in a fraudulent manner.

In recent years there have been regrettable examples of this. Even if the organizations in question be subject to provincial jurisdiction, it matters little. Uneasiness in respect of such organizations develops among investors, and Canadian financial institutions as a whole suffer.

If there is a deficiency in the regulation of federal companies it should be remedied. Regulations applicable to federal companies when appropriate will be reassuring. Provincially incorporated companies, if they so desire, can subject themselves to federal regulations. This has been done in several instances. I cite, for example, what we did in the last session in connection with the Canadian Deposit Insurance Corporation Act, and what can be done under the Canadian and British Insurance Companies Act, which allows for provincially incorporated insurance companies to be supervised by federal authorities.

The clauses in the bill designed to establish confidence include the requirement for disclosure and supervision, the provision of adequate reserves and appropriate sanctions in the event of violation. In this respect I would agree heartily with what Senator Hayden said last evening in his very remarkable address on this bill. Bill S-17 is an attempt to reach this goal. It is not perfect. It can be improved. Since it has originated as a Government measure here, I believe that the Senate should do all it can to make it the most effective instrument possible. It must take into account financial practices and the requirements of the modern Canadian corporate structure. This structure is by no means uniform, nor can all segments of the industry be poured into the same mould.

With these preliminary remarks as background, the first criticism I make relates to the definitions of "Business of investment" in clause 2(1) (b) and "Investment company" in clause 2(1) (f). For reasons which I propose to outline, in my view these sections are too broad. They are too big a basket—they gather oranges and apples and onions and tomatoes. They seek to treat in the same manner financial institutions which are designed for completely different purposes, institutions whose markets vary widely and whose uses are divergent.

The chartered banks have the powers set out in the Bank Act. Trust companies have other powers specified by various statutes. Acceptance corporations are of another order. Personal loan corporations are designed for a special type of service. Some of these are regulated by federal statutes, some by provincial statutes. In my view the definition section in this bill should be more precise. If it is, the various types of companies to be covered can be controlled more effectively in the interest of the public, of the Canadian economy, individual industries, and indeed in the interest of investors. On page 379 of the Porter Report it is suggested that the legislation stimulate diversity in an area where diversity is the order of the day among financial institutions. Presumably, the commission thereby recognized not only the value of competition, but the importance to the economy of specialized corporate practices to meet the needs of modern financing.