

are covered by this definition. Industrial companies that maintain a portfolio of investments representing 25 per cent or more of their assets are subject to the provisions of this statute.

It is true that there is provision in this bill that you must register and get your certificate, but if you show that while you do this you are not primarily engaged in investment, and that the investment that you do is incidental to the main purpose of your business, then you may get an exemption. Even with that exemption the minister can withdraw at any time; it can be changed. Why in those circumstances attempt to cover a broader area than that in which the problem exists? In the last few years we have had enough experience to know where the problem is in investment companies.

In my suggestion, the very simple way of dealing with it would be to have a proper definition, along the lines I have indicated, of an investment company with your exemptions. For instance, you may have an investment trust under a corporate name investing in shares and so on; they may borrow money or may use 25 per cent of their assets for this or the other investment purpose. Then there is the serious question whether they are not required to get a certificate of registry. It may be argued that it does not take too much effort to make the application in those circumstances, but that will contribute to the cost of administration, a cost which in the circumstances may not be warranted by the calibre, integrity and nature of the operations of these companies.

So, I think the definition has to be revised. I think exceptions have to be added to the even broad definition which I gave of an investment company as found in the Investment Companies Act in the United States. They have many exceptions, which seem normal and reasonable as I read them.

Let us get down to the real business of the meeting. What really bothers me is the power in section 22, which says:

The Governor in Council may make such regulations as he considers appropriate to secure the establishment and maintenance of a sound financial structure for investment companies and, without restricting the generality of the foregoing, may make regulations pertaining to levels of paid-up capital and surplus, ratios of outstanding debt to paid-up capital and surplus, liquidity of assets and maximum permissible single investments or loans of investment companies

and prescribing rules for valuation of assets and liabilities and relating to audit procedures to be followed in respect of such companies.

In my submission, this trenches on a concept I have had of the purpose of regulations and the limitation of regulations, which I have asserted many times in this house. I say you should not legislatively give authority to legislate by regulation. Over the years all governments in office have recognized this problem. For instance, the Canadian and British Insurance Companies Act outlines guidelines for investment by statute. These guidelines relate to the investment of the assets of the life insurance company or other classifications of insurance, in bonds, debentures guaranteed by governments, corporate bonds, the percentage of assets that may be invested in preferred shares meeting certain conditions, the percentage of assets that may be invested in common shares meeting certain dividend requirements, the percentage that may be invested in real estate, the amount of or limitation on the overall amount that may be invested in relation to any particular property.

Then there is the basket clause: if investments have been made and assets do not fit into one of those requirements they may still fit into the basket clause. This may reduce some of the rights under other parts, but here you have spelled out a whole dictionary of guidelines for these insurance companies. It is reasonable that that should be so because their income represents the premiums of the people who take out policies, and the purpose of taking out those policies is to assure themselves that on a given date when a certain event occurs that money represented by the principal of that policy is there unimpaired, unencumbered, available to be paid up.

Therefore, in the interests of the policyholders this spelling out of the kind of investment, the extent of the investment, by statute, is a good thing. It is Parliament which does this. This is not the Governor in Council on the recommendation of the Superintendent of Insurance, no matter how well informed he may be. It can operate like a yo-yo or an escalator—it can go up and down. The regulations are guidelines which will change with the change in economic level, or will throw up some solid basic character to the rules for interpreting whether there has been a good or a bad investment.

The Canadian and British Insurance Companies Act does not say, you may not invest