

to accomplish the objective of becoming a chartered bank a transition period is necessary.

Since it is proposed that IAC and the bank, as chartered, would amalgamate and become one within ten years, both IAC and such bank would be subject to the Bank Act upon creation of the bank. Therefore some latitude is necessary during the interim period.

Once the bank has been created and commences business, all eligible business—that is, eligible for a bank—will be written in the bank.

Thank you, honourable senators. Now we would be pleased to answer questions.

**The Chairman:** I suppose the proper way of describing the two institutions would be, for our purposes, to call IAC a non-bank, and we could call the one you are seeking to incorporate a bank.

**Mr. Land:** That is right, Mr. Chairman.

**The Chairman:** And IAC at the present time is a non-bank because many of the interests that they have are not eligible investments for a bank.

**Mr. Land:** Some of them are not, Mr. Chairman; that is quite true.

**The Chairman:** I would say, perhaps, a substantial part of them.

**Mr. Land:** I would say that the bulk of our business would be eligible for a bank, with the notable exception of leasing capital assets and of high ratio real estate mortgage lending.

**The Chairman:** Well, you have at least one subsidiary insurance company.

**Mr. Land:** That is something that we would obviously have to do something about.

**The Chairman:** That is not an eligible investment for a bank.

**Mr. Land:** That is right, sir.

**The Chairman:** Then there is this transition period of ten years, and the bill says that within ten years you must take proceedings to amalgamate IAC and the bank, but in the meantime the bank would be a subsidiary of IAC.

**Mr. Land:** A wholly-owned subsidiary.

**The Chairman:** And I suppose a substantial shareholder of the bank from the very beginning would be IAC.

**Mr. Land:** Complete ownership.

**The Chairman:** The bank would carry on the business of banking, and I assume that IAC would in some respects use its facilities for its purposes and for financing.

**Mr. Land:** All business which could be done by the bank would be written in the bank through the efforts of the current IAC staff. They would use their expertise for the purpose of developing business for the bank.

**The Chairman:** How will the staff be provided? Will it be provided from the staff of IAC?

**Mr. Land:** Yes, sir, possibly supplemented with specialists if necessary. We have currently 2,800 employees all thoroughly experienced in the granting of credit and the

handling of financial transactions, and this would mean the original staff looking after the affairs of the bank.

**The Chairman:** Who will tell us what has been done in the way of discussions and indicated approval in the Department of Finance in connection with this proposal to incorporate a bank?

**Mr. Land:** Discussions have been held with the Department of Finance, the Inspector General of Banks and the central bank, the Bank of Canada, and these have led to the conclusion that our petition would be acceptable to the officials in the form in which it has been submitted.

**The Chairman:** When you say "acceptable", you mean they would not raise any objections to this bill to incorporate a bank even with the background ownership of IAC?

**Mr. Land:** That is right. That is my understanding.

**Senator Laird:** Mr. Chairman, may I follow up from something you started? Is it really necessary to have this entire ten-year time lag to make the complete conversion?

**Mr. Land:** We would hope not, senator. The ten years is the maximum period. It is quite conceivable and in many ways it would be desirable to accomplish the amalgamation before the ten-year period.

**Senator Laird:** Do you think you could do it? What would hold you up from making the conversion?

**Mr. Land:** We have certain outstanding debt obligations, some of which cannot be called prior to maturity.

**Senator Laird:** And what would the maturity be on your longest running securities?

**Mr. S. F. Melloy, Executive vice-président IAC Limited, Toronto:** The longest term debt goes to 1994, and we can call the debt by 1989. But most of the debt is callable, with penalty, by 1984.

**Senator Laird:** I see. I suppose that is why you fixed on the ten-year time lag. Is that right?

**Mr. Melloy:** Yes.

**Senator Laird:** Would you contemplate the possibility of, even with penalties, taking care of that situation within ten years, as Mr. Land suggested was possible?

**Mr. Melloy:** Any debt that is redeemable, we will redeem and pay the penalty.

**Senator Laird:** Do you have some that are not redeemable with a penalty?

**Mr. Melloy:** Most become predumable in on before 1984, but some are not redeemable up 1989, so we would have to leave them until 1989, unless we can make other arrangements.

**Senator Laird:** From what you say it would appear that it will be most unlikely that you will be able to speed the process up, since 1984 appears to be the point to which you will have to go to meet most obligations presently existing.

**Mr. Melloy:** Unless we can make satisfactory arrangements with lenders to do so before.

**Senator Laird:** Outside the contract.

**Mr. Melloy:** Yes.