

*Investment Companies Bill*

to us that the recommendation should be changed, then we in the government are quite willing to change it.

• (8:20 p.m.)

Mr. Speaker, this bill is practically identical to Bill C-179 which received second reading in the House of Commons and was referred to committee at the previous session of Parliament. It differs only to the extent that a new clause relating to the revision of the Statutes of Canada has been added and a slight amendment to clause 27 has been made to require the minister to table in Parliament the annual report of the Superintendent of Insurance.

A detailed explanation was given concerning the purpose and intention of the bill when it was before the House for second reading at the previous session, by the Minister of National Revenue (Mr. Gray) on February 11, as reported at page 3491 *et seq.* of *Hansard*. I am sure hon. members would not wish to have it all repeated at this time. To recall to mind the general scope of the bill, however, I will make a few summary remarks.

The principal purpose of the bill is to establish a system of reporting and inspection applicable to a class of companies that are acting in a substantial way as investment intermediaries and that are not otherwise effectively supervised. The class of companies to which the act would apply may be described broadly as those companies that raise money on debt instruments and use a substantial amount of the money so borrowed for investment purposes. The main type of company that would be covered by the act are those commonly referred to as sales finance companies, although the act will apply also to other types of companies that borrow funds for the purpose of making investments and loans of other types.

Companies that are subject to the act would be required to file financial statements with the Superintendent of Insurance and would be subject to examination by members of his staff. The superintendent would be required to report to the minister with respect to any company where he considers that the company's ability to meet its obligations is inadequately secured. The minister would be empowered to take one or more of a series of actions leading to improvement in the financial condition of such a company or requiring it to discontinue borrowing from the public. In extreme cases the Attorney General would be empowered to seek liquidation of the company under the Bankruptcy Act. An appeal would lie to the Exchequer Court from ministerial action.

The bill does not prescribe any particular standards of financial strength or classes of eligible investments for companies subject to the legislation. It does, however, impose upon companies the obligation of maintaining themselves in a financial condition to give adequate security to their creditors and of refraining from making investments and loans where there may be a conflict of interest.

Special provisions that would limit the transfer to non-residents of the shares of sales finance companies are also included in the bill. These provisions, similar to provi-

[Mr. Benson.]

sions in the Canadian and British Insurance Companies Act, the Trust Companies Act, the Loan Companies Act and the Bank Act, would limit the transfer of shares to non-residents to 25 per cent of the total and the transfer of shares to any one non-resident to 10 per cent of the total. Also included are provisions whereby adequately secured loans, for emergency liquidity purposes only, can be provided to Canadian-controlled sales finance companies through the medium of the Canada Deposit Insurance Corporation.

In general, the bill is intended to fill a gap in the present pattern of supervision and inspection of financial institutions. The fact that such a gap can have serious consequences has been illustrated by a number of failures of financial institutions in recent years.

**Mr. Lambert (Edmonton West):** Mr. Speaker, may I first of all point out to the minister that the procedural arguments that were raised on the last occasion had nothing to do with the nature of the recommendations made at that time. If one consults *Hansard* for February 16, 1970, one sees there was some difficulty about the printing of notices and what have you, not only in regard to the bill but also in regard to *Votes and Proceedings*. This gave rise to the procedural argument raised at the time to the effect that improper notice had been given.

The minister has pretty well outlined the content of this bill. On looking at it we observe a strange pattern evolving. Primarily the bill deals with sales finance companies, but not for an instant does it have its origin or its paternity in that class of company. This was the infamous bill, Bill S-17, which began its passage in the other place during the 1968-69 session and was designed to control investment companies. There was at that time some sort of feeling of "big brotherism" on the part of the government that it was going to control the activities of all investment companies in this country.

The Senate Banking and Commerce Committee held public hearings on the bill and, with the aid of their counsel, entirely rewrote the bill with the exception of the title clause. That demonstrates how good was Bill S-17. The vital changes introduced in the other place were, first of all, the reduction of the application of the bill by providing an exception clause in respect of companies that met certain criteria and, secondly, the restriction of the government's power to enact further legislation by Order in Council. One has only to look at the old Bill S-17 to see what a Frankenstein the government had created and was trying to foist upon Parliament. The rewritten Bill S-17—with the exception, as I say, of the title clause—was passed by the other place and received pro forma first reading in this House. Then in a huff the government decided not to bring it forward and the bill subsequently died.

Then last session the legislation was brought forward as Bill C-179 and it received second reading in this House after some debate. It was then directed to the finance committee; but as Your Honour knows, the finance committee was then preoccupied with the White paper on