and specifically in its report on Bill C-15, tabled on the 7th of March 1979, it observed as follows at page 30:37:

"In its report on the White Paper your Committee expressed its opposition to this proposal. Based on representations made to it at the time of its review of the White Paper it concluded that it is neither necessary nor advisable specifically for Provincial Governments to acquire voting stock in return for financial assistance, and further that the credit policy of the bank might be influenced or weakened by the presence of Government."

The case of the undesirability of equity participation by Provincial Governments in chartered banks is strong. No explanation has been given in support of this change and therefore your Committee has no cause to alter its views expressed consistently throughout its various reports on this proposal.

5. EXTENSION OF EXEMPTION FROM "SECTION 88" SECURITY TO AGRICULTURAL PRODUCTS

In its report on Bill C-6 dated July 16, 1980, in dealing with the exemption of cattle from "Section 88" security, your Committee observed the following at page 15:17:

"Suggestions for change proposed by the Cattlemens' Association contemplate expanding the definition of priority items under Clause 178 to include all products of agriculture. This would have the effect of including livestock. To protect the cattlemen it is not necessary that such a broad coverage be given for other than the cattlemen. Your Committee has received no evidence for the need for protection of such breadth and extending the protection to all products of agriculture is thus unreasonable and unnecessary."

Notwithstanding this recommendation, no change has been made in the proposed legislation. What is required is that the word "cattle" be substituted for the words "products of agriculture". This has not been done, nor has there been any explanation as to why it has not been done.

However, your Committee does not wish to make any further recommendation in this matter due to a desire to avoid further delay in the passage of the *Banks and Banking Law Revision Act, 1980.*

6. PREPAYMENT OF LOANS

Bill C-6 contains, for the first time, a restriction on the right of the Banks to recover their costs on prepaid personal loans under $50,000. This provision flows from an amendment to subclause 174 of the Bill as follows:

(5) "No bank shall in Canada make a loan to an individual the terms of which prohibit prepayment of the loan or any installment thereon before its due date but this sub-section does not apply to a loan

(a) that is secured by a mortgage on real property; or

(b) the principal amount of which is in excess of $50,000 or such greater amount as is prescribed by the regulations."

The related prohibition with respect to the recovery of costs is contained in subclause 202(8)(*f*) of the Bill. This provision contemplates that the Minister may make regulations:

"prohibiting the imposition of any charge or penalty referred to in this Section or providing that such charge or penalty, if imposed, shall not exceed a prescribed amount."

Witnesses appearing before your Committee have been pointedly critical of these provisions. There can be no complaint, and none is made, with respect to the prohibition against covenants which would enjoin prepayment of personal loans. It is with respect to the related provision in subclause 202, which effectively leaves it to the Minister to decide whether or not the lenders costs in prepayment situations can be recovered, which is complained of. There are two criticisms of this provision. In the first place this represents another example of the undesirable recent development by which the Government relegates to the regulatory process substantive provisions which ought to be included in the Statute proper. Here the Minister may make regulations either prohibiting entirely the collection of administrative costs in a prepayment situation, or alternatively prescribing the amount which may be charged. Your Committee has been advised that the Minister in fact intends to promulgate regulations which would prohibit entirely the imposition of any charge in personal loan prepayment situations. The complete prohibition of charges of any kind in respect of prepayment of personal loans is a substantive matter which, if it is regarded as desirable, ought to be included in the Statute itself. The rationale for making this a matter for regulation would appear to be to enable the Minister to effect substantive change in the absence of Parliamentary scrutiny.

The second criticism is that there is absolutely no rational foundation for prohibiting a lending institution from levying charges, consisting of its reasonable costs, in prepayment situation. The amount of, or formula for calculating the charge may be one thing, the right to assess charges amounting to the cost associated with writing a prepayable loan surely is beyond question. No effort is made on the part of the Government to justify this provision notwithstanding that it negatives a conventional and legitimate method of doing business. It is not without interest to note that the Government of Canada itself imposes a charge or penalty in respect of the encashing of Canada Savings Bonds before maturity. In an appearance before your Committee Mr. Gordon Bell, the President and Chief Executive Officer of the Bank of Nova Scotia, observed as follows:

"We should also point out that the Government of Canada recognizes the existence of front end and administrative costs in designing their Canada Savings Bond program. In the most recent Canada Savings Bond campaign, no interest will be paid on funds redeemed before December 31, 1980, in effect, a penalty . . . and in addition . . . interest will be paid only for every full month a bond is held by a customer. We feel that these are reasonable rules and that the Government of Canada is perfectly correct that it intends to recover