

After all, it is one thing to devise legislation to protect the public who put money into investment companies, against the squandering of that money, but we must also keep in mind that if you have reached the position where it would appear that some squandering has taken place, it is much better to try to work out a solution that will leave the most dollars to the creditors and shareholder, than to take a step that immediately and substantially depreciates the assets and any market for those assets.

So I say that the methods that are proposed in Part II are not in keeping with the disease that you have to deal with. I think it is possible to devise a simpler, less complex, and more direct method of dealing with the situation when you are faced with the fact that the investment company is in trouble. Obviously, the people who have put their money there need protection, and they should be alerted at the earliest possible moment. My own view is that instead of waiting for an annual statement—which means delivery within two months after the end of the fiscal year, at which time the Superintendent of Insurance and then the minister may get an assessment of what is the financial position of the company concerned—possibly in the month following the month in which transactions which involve sale and subsequent investment occur, a return can be made to the Superintendent so that he can then assess the thing as it goes along.

Under the Securities Act of Ontario, and similar acts elsewhere, people who are classified as insiders are required to report in the month following the month in which they buy or sell shares of the company in respect of which they are in the position of being an insider. This enables you to keep your knowledge of the events and their results closer in time to their occurrence, and perhaps you can thereby recognize these things and stop them sooner.

These are just ideas that I am throwing out at this time, because I think that in principle the bill has a place in our financial structure. I think it can do a job, but that definition of "business of investment" is certainly not my concept of the business of investment, and I do not think it is the concept of most other people.

In the United States they have had for years a statute called the Investment Company Act, which is administered in conjunction with the SEC, and which defines "investment company" as any issuer which is, or holds

itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities. That is the kind of definition I can understand.

Let us take, for instance, the position of a mortgage company. I think right away of RoyNat which was incorporated by special act some years ago, and which borrows money from the public and uses that money to lend on building operations and residential developments, and projects of that kind. I think that RoyNat—or any one of a number of other companies—will advance more money than the customary 75 per cent, but it has a basis of insurance for the excess, and a liquidation of that excess down to 75 per cent first, and then your costs come down as a result. A company of that kind would be an investment company under the definition here. In other words, it would be borrowing money from the public on the security of its assets, et cetera, and it would be lending on the security of property by way of mortgage. Yet, this in no sense would appear to be the kind of operation against which protection is needed at this time. The sort of thing we need to be protected against is that which involves what I call the mining of the public—the borrowing of money from the public and then using that money for various enterprises that are so uncertain and speculative that the only way in which they are able to carry on for any length of time is by subsequent borrowings, because the moment the momentum stops the whole thing falls to pieces. This is the sort of thing that can be seen from a study of the history of Atlantic Acceptance Corporation. One can see the difference between a mortgage company that borrows from the public and then lends out on various bases, and a company that borrows from the public and keeps on putting that money into enterprises that are only able to carry on in times that are exceptionally good, and only by the constant infusion of money.

So, the definition is, in my opinion, too broad. It even covers a company that follows the practice of liquidating its inventory in the eleventh or twelfth month of its fiscal year so that it is then in a position of having substantial cash which it invests perhaps in notes and short-term securities of some kind, and then goes back to building up its inventory for the next year. Companies of that kind are covered by this definition. Holding companies