## (b) Other institutional and market recommendations in other area

## Insurance company investments (i)

To promote a freer flow of funds into Canadian equities, the Commission recommends that insurance companies be allowed to invest at least 25% of their funds in common stocks and that the present rigid valuation rules s that the economy will b be relaxed. However, these changes are not expected to lead to a radical alterso private lead inhibited (pp 229 32); the

9

ation in company investment policies (pp 247-50). anisis' a

(ii) The mortgage market of addemontuper and elboard of angol The N.H.A. rate should be freed (subject to an upper limit) so that it does not inhibit private lending and discourage a secondary market in Mortgages (p.285). This would overcome the disruptions resulting from the excessive rigidity in the rate: it would also enable C.M.H.C. to withdraw particular borrowers (pp

snoldytized leiosent't

on the question of gove from the massive residual lending of recent years.

The Commission also recommends that institutional loan to Lews some aspects or Value ratios on mortgage lending be raised from 66 2/3% (60% for the Quebec Savings Banks) to 75% and that banking institutions be free to grant most careful thought to this matter before the country to

arrangements which may have major consec second mortgage loans (pp 287-8). These changes, together with entry of the banks into conven-

tional mortgage lending, should improve the supply of mortgages, curb the heed for borrowers to turn to high-rate second mortgage lenders and make

it unnecessary to extend government guarantees to existing properties that abuses do n the sificiency of the markets and reduce or dis

the flows of fands through them (pp 344=5). While stressing the vital ro The government would still be free to vary down payments and (pp 278-9, 287-8). other N.H.A. terms to stabilize the economy, but this should be a conscious act of policy rather than the by-product of its mortgage lending arrangesecurities commissions. Respite considerable progress, the Commiss (be present situation upsatistactory and recommends that the federal

ments (pp 285-6). government take the lead in cooperation with provincial governments to