

*Investment Companies*

I have no respect at all for the opinion that since certain companies are incorporated by provincial legislatures, the provincial government in question for ever and ever has jurisdiction over them. What is important, I think, is the function of such companies. If these companies carry on activities which normally fall under federal jurisdiction, then similarly they should be supervised by federal authorities. However, the absence of such provision remains because this bill is intended to govern federally-incorporated sales finance companies only or, shall I say, investment companies.

The bill also makes a curious change in clauses 10 to 17, where we find provisions relating to the control of the sale of shares in sales finance companies. Last fall the Minister of Finance made a statement which had the effect of prohibiting acquisition by non-Canadian residents of controlling interests in Canadian sales finance companies. I think that step was to be welcomed. There is no question that Canadian sales finance companies should be under the control of Canadian residents or citizens, just as should our banks, insurance companies and loan and trust companies. I have no quarrel with that proposition. However, I do quarrel with clause 15 of the bill, which provides as follows:

No sale or disposal of the whole or any part of the undertaking of a sales finance company is of any effect unless and until it has been approved by the minister.

At one time it was thought that there was nothing to prevent the management of a sales finance company selling the undertaking or the assets of the undertaking to a foreign concern. That would be the same thing as selling the shares of the company, because you are selling the business of the company. For example, supposing a sales finance company wants to sell certain assets that are no longer profitable within its portfolio to a competitor. In order to do so it must first get the approval of the minister. However, no provision is made as to the period within which the minister should make his decision. The minister can delay for as long as he wants, to the prejudice of all concerned.

In addition, no provision is made for appealing the minister's decision. In this case the decision of the minister is absolute, whether it be given capriciously or otherwise. I think provision should be made for giving relief to the parties in this regard. No reference is made to the minister withholding his approval because, for example, he considers that the price being paid is too low. He can

withhold approval for all sorts of reasons. The parties to the transaction have no means of getting recourse if everyone but the minister is satisfied.

• (4:30 p.m.)

The Canada Deposit Insurance Corporation is brought into the picture, with regard to sales finance companies, as a lender-of-last-resort. We all know the history leading to the establishment of the Canada Deposit Insurance Corporation. It has a curious history because it arose as the result of legislation outside the Bank Act and the government of the day did have the moral rectitude or fortitude to recognize that it had sole jurisdiction over money and banking and no provincial government had the right of intervention in respect of deposit insurance.

In any event, we have the curious creation of the Canada Deposit Insurance Corporation being conditional upon provincial consent in so far as concerns trust companies and other deposit receiving institutions which participate under the Canada Deposit Insurance Corporation. This is not the purpose of the Canada Deposit Insurance Corporation, being merely a lender-of-last-resort under the provisions of the legislation covering sales finance companies. In this role, what is it entitled to do? Under the provisions regarding a lender-of-last-resort to a sales finance company, such a company would be entitled under certain conditions to obtain a loan from the Canada Deposit Insurance Corporation to enable it to obtain the liquid funds needed to discharge its maturing debt obligation; in other words, the deposit certificates it may have. There is nothing in the bill about shares. It refers to maturing debt obligations. That does not mean the company would necessarily remain solvent. In other words, there would still be a lot of people who could lose a great deal of money, although there are limitations on loans.

The attention of hon. members should be drawn to these particular sections. The measure says there shall be a certificate of registration for such companies. These are issued for a limited term. These certificates may be refused, but I suggest a good deal of explanation must be given as to the working of these certificates and the powers of the minister in regard to registration.

I shall now make some remarks in respect of the general penalty clause. There is no relief here whatsoever. An absolute penalty is provided under clause 37 of the bill whereby