

*Investment Companies*

• (4:10 p.m.)

A further provision relating to sales finance companies, and in particular to Canadian-controlled sales finance companies, should also be mentioned. Sales finance companies must be able to raise funds in order to carry on their business by way of loans or provision of credit for purchase of merchandise. To retain a Canadian-controlled element in the industry, Canadian-controlled companies must be able to compete on more or less equal terms with the foregoing-controlled companies in order to borrow funds in the market. It sometimes happens that the foreign-controlled companies have access to funds outside Canada, through parent company organizations, which are not available to Canadian-controlled companies. Also, in raising money in the Canadian market foreign-controlled companies can sometimes give the guarantee of their parent company as additional security. This may put the Canadian-controlled company at a disadvantage.

The bill therefore proposes that to give added confidence in the debt instruments issued by Canadian-controlled sales finance companies, and thus put them in a more nearly equal competitive position vis-à-vis foreign-controlled corporations, the Canada Deposit Insurance Corporation would be empowered to make loans to such companies where loans are necessary to meet short-term liquidity needs. Such loans will have to be adequately secured and would be for terms not exceeding six months. The CDIC would be empowered to borrow from the Consolidated Revenue Fund moneys which might be needed to carry out this function. The maximum borrowing power would be fixed at \$200 million.

This emergency lender-of-last-resort facility corresponds to facilities which are available through other legislation for banks, trust companies, mortgage loan companies and investment dealers. It is not expected that any company would have to rely on it except in unusual circumstances, and the lending power is not intended as a substitute for lines of credit which a sales finance company should get and maintain with its bankers. It will, however, provide an emergency facility should unforeseen events cause some liquidity crisis.

This facility should be looked at in light of the whole structure of the act establishing a pattern of supervision and inspection. This structure would be used to keep a close contact with companies and to detect trends in

their operations which seem to be carrying unusual risk as far as liquidity is concerned. Thus, it would be expected that information would be available and action could be taken in advance of any emergency liquidity crisis. However, unforeseen events do sometimes occur and it is considered that this lender-of-last-resort facility will add to the confidence in the Canadian-controlled sales finance companies and in the strength of the industry generally.

I would be happy to answer questions or respond to comments made by hon. members in the course of the debate either by way of a reply at the conclusion of this discussion here or, certainly, before the finance committee. I therefore ask the House for its support of the bill at this time.

**Mr. Lambert (Edmonton West):** Mr. Speaker, this bill has had a chequered history. It has had a long legislative history. If the House were aware of just what has happened to it, or the form it took when it first came before Parliament and the purpose of the government in introducing it, I believe we would be in a better position to appreciate what is before us, notwithstanding the remarks of the Minister without Portfolio (Mr. Gray) who is associated with the Minister of Finance (Mr. Benson).

This measure appeared in the Senate on November 12, 1968, as Bill S-17. After undergoing considerable revision it was passed and sent to this House in June of 1969. Here, it was given only first reading. Today it is brought forward again. It has come to us in a revised form; there are several changes which we ought to consider. Let us examine them in some detail.

At one time I think it was suggested that the bill be given the title, "An act to Provide for the Quiet Concentration of Enormous Economic Power in the Hands of the Government." What happened was this: the bill was introduced, not by the leader of the Senate but by another hon. senator who read a statement to the effect that the purpose of the bill was to protect Canadian investors from the collapse of federally-incorporated companies, primarily of the finance and acceptance type, which were not presently regulated or supervised by statute.

Senator Desruisseaux said in the other place:

Recent collapses of several companies of this type, although essentially involving companies under provincial jurisdiction, have underlined the danger of