

Industrial Development Bank Act

On clause 5—*Loans, investments and guarantees.*

Mr. Zaplitny: Mr. Chairman, clause 5 describes the conditions under which the board can consider making those loans. The first part of the section says:

Subject to section 14, where in the opinion of the board or of an officer authorized for that purpose by the board.

(c) the amount invested or to be invested in the industrial enterprise by persons other than the bank and the character of that investment are such as to afford the bank reasonable protection.

I would like the parliamentary assistant to tell us, on the basis of experience so far, what has been considered as a reasonable protection to this bank so far as security is concerned. What is the ratio? If I may use the example that was used half an hour ago, it was defined that the amount of the loan should be in relation to a certain appraisal of the property concerned. This does not specify any particular ratio. What is said to be reasonable protection?

Mr. Benidickson: The president, in giving evidence on this question, indicated that there was no hard and fast rule as to the equity that should be in the business by the borrower. The reason is that the type of investment varies, particularly in a complicated corporate structure. You would have several types of securities, one junior to another, and it requires an analysis of the exact position and equity of the borrower. There is no hard and fast rule. I think the officers of the bank indicated they would normally like about a 50 per cent equity on the part of the borrower.

Mr. Zaplitny: I have just one more question on that. I notice in the paragraph they refer to the amount of the investment and also to the character of the investment. Can the parliamentary assistant tell us where the distinction lies as between the amount of the investment to be considered and the character of the investment? What is the distinction between those two terms?

Mr. Benidickson: The character is the type of security in which the bank is going to make its investment or take as security. Now, it could be real estate, the fixed asset of the business. Under this amendment we are giving the bank rather wider powers, and now they can not only make a loan, they can purchase debentures of the borrowing company, and that is the character. The security could very well be a bond or a preferred stock or it might be equity capital or assets in real property.

Clause stands.

Progress reported.

BUSINESS OF THE HOUSE

Mr. Harris: Mr. Speaker, tomorrow we shall continue this debate and then take the Canadian Citizenship Act; then the resolution in my name with respect to the Tariff Board Act and then the budgetary resolutions with respect to income tax and the Customs Tariff.

At ten o'clock the house adjourned, without question put, pursuant to standing order.