

Trust Companies Act

From time to time it has been found necessary to change the forms and the point has now been reached where they bear little resemblance to the forms set forth in the schedules to the acts.

It is therefore proposed that schedule B to each act be repealed and that the form of the statement be left to the minister to determine. In addition, for administrative convenience it is further proposed that the statements and the auditors' reports be required to be filed in the department of insurance rather than with the minister. This is the procedure authorized by the insurance acts in reference to insurance companies, both with respect to the determination of the forms and the filing of them with the government.

I now come to the third of the four main amendments. Loan companies are empowered to accept money on deposit and to issue debentures. Trust companies are also empowered to accept deposits and may issue guaranteed investment certificates covering money left in trust for investment, the repayment of which is guaranteed by the company.

All such moneys are regarded under the acts as borrowed moneys. Under each act, the amount that may be borrowed by a company including debentures issued by loan companies, guaranteed investment certificates issued by trust companies, and deposits accepted by either loan or trust companies, is limited to ten times the amount of the company's unimpaired paid-up capital and reserve. Such a limitation ensures that a company will have, in the form of capital and reserves, an adequate safety margin in relation to its borrowed money, presently 10 per cent, to give adequate security for the repayment of its liabilities.

Over the years the limit has been raised from time to time. Under the Loan Companies Act, the maximum amount that might be borrowed was set at four times the unimpaired paid-up capital and reserve in 1914. It was raised to six times in 1927 and to the present level in 1948. Under the Trust Companies Act, the original maximum of five times the unimpaired paid-up capital and reserve in 1914 was raised to seven times in 1931 and to the present level in 1947. In the light of the increased experience of these companies and of their financial stability, it is now proposed to increase their borrowing capacity by raising the maximum amount prescribed by each act from ten times to 12½ times the unimpaired paid-up capital and reserve.

The fourth and last main amendment relates to the values at which dominion and

provincial government bonds may be carried into the balance sheet in the annual statement. At present, all bonds and stocks are required to be carried at values which, in the aggregate, do not exceed the aggregate of their market values. It is now proposed that a company subject to either of these acts be permitted to take its bonds and stocks into account at values that, in total, do not exceed the amortized values of redeemable securities not in default issued or guaranteed by the government of Canada or by the government of any province of Canada and the market values of all other bonds and stocks. I am sure hon. members are aware of the fact that the amortized value of a bond is sometimes referred to as the investment value and may be defined generally as the cost price adjusted from year to year after purchase to reach the par value at maturity.

The foregoing change would authorize the same procedure as that now followed by the Bank of Canada, and authorized for the chartered banks, the Quebec Savings Banks, and life insurance companies. The acts would, however, continue to require the market values of all bonds and stocks to be shown in the detailed schedules to annual statements, and it is intended that the relationship between aggregate market values and the values carried on the balance sheet would continue to be shown in the detailed schedules to the annual statement. As I mentioned earlier all other amendments in these bills are consequential to the four main amendments to which reference is made here, and are purely incidental, and are being proposed merely in the interests of greater clarity and completeness.

If it meets with the approval of the house this bill, after being given second reading may, as I suggested earlier, be referred to the banking and commerce committee for further study and at this meeting Mr. MacGregor, the superintendent of insurance, will be glad to attend.

Mr. W. M. Benidickson (Kenora-Rainy River): I am very glad to hear the Minister of Finance (Mr. Fleming) say that we will have an opportunity to discuss very carefully the provisions of these bills in the banking and commerce committee. We did read, as these bills were originally introduced in the Senate, that there arose a fair amount of controversy respecting them. I have read the debates of the other place with reference to these bills. They are contained in the Senate *Hansard* for July 10, July 15, July 17 and July 23. I am all the more gratified that the minister is prepared to let us have a detailed discussion of these bills because I find there is no *Hansard* report covering the