

be protection to the nth degree. Maybe the resourcefulness of individuals will uncover avenues as a result of which you may have to make amendments, but that is something that may take care of itself.

I say the design of this is to cover the use to which the money may be put. When we come to that, my first problem is that I always regard bonds guaranteed by the federal Government or the government of a province as being at least a sufficiently good risk, and that if a company used money which it collected from the shareholders and subscriptions for shares and from the sale of its bonds to buy Government bonds, at least there could not be any charge that they were wasting or dissipating the assets of the company. Why that is included in it, I am at a loss to know. Maybe we will get that explanation when we go to committee.

I am addressing myself now to two parts of this bill. Part I, which runs through to section 8 and which deals with it, starts with section 3 and deals with the supervision of investment companies. Now, it creates certain prohibited transactions where certain relationships exist as between directors of the investment company and the companies whose shares or bonds are going to be purchased by this company. There is nothing new in that. You will find that provision in the Canadian and British Insurance Companies Act. You will find it in the Trust and Loan Companies Acts. So there is nothing new in making this provision, nor can any person quarrel with the provision that if a certain relationships exist as between directors and shareholders of an investment company and companies in which they are going to invest some of their moneys, then those transactions are prohibited. In Part I you have this prohibition of transactions by reason of certain relationships.

Now, the only other thing you have is the requirement that an investment company that meets the definition must file an annual statement with the Superintendent of Insurance. I think in the course of the debate that has gone on so far tonight there was a little confusion as between "annual statement" as used in this bill, and the assumption was that the "annual statement" meant the annual statement of the company which would be filed for income tax purposes and filed for corporate purposes and distributed to the shareholders. The annual statement, as especially defined in this bill, is the annual statement

which the company must file with the Superintendent of Insurance each fiscal year in conformity with the requirements of this act and the forms that are prescribed. This is the annual statement. So there is not the problem of confusion as between the income that you state in your annual statement to your shareholders and the income that you state to the income tax people, and the statement of income that you furnish to the Superintendent of Insurance. His position is different. His job as stated in Part I of the bill is to assess whether the company, on the basis of its statement, is in a good financial position in the sense as to whether their operations are such that they can make their instalment payments on their indebtedness, that they can pay their interest charges, or whether they have a deficiency of assets as against liabilities. This is the job that the Superintendent of Insurance has to do. Under this part he is directed to examine these statements. If he needs any further information he has the power of inspection. He can send people in to inspect the books and records, and he can examine the officers of the company to clarify all these points.

Now, there is nothing new in that. These provisions you will find in the Canadian and British Insurance Companies Act. You will find them in the Trust and Loan Companies Acts. So there is nothing novel or new in this procedure; and I would not expect there would be in that requirement of an annual statement or in the power of inspection.

There was some confusion in the debate so far on another point, where authority is given to the Superintendent of Insurance to value and even appraise the shares or the real estate and, if he decides that they have a lesser value than the value as shown in the actual statement, then for the purposes of what he has to do and for the purposes of his report to the minister—that is the Minister of Finance—to reduce the assets that appear in the annual statement by that amount which he thinks is over value. This is for the purposes of the determination he has to make. It has no relationship to the accounting of the company for income tax purposes. This is for the purposes of his report to the minister and, if you will look at section 5(6), you will see that his job is to get such information as he thinks is necessary to enable him to ascertain the financial condition of the company and its ability to meet its obligations. This is all that Part I does; and there you are left in the air.