

Perhaps if appropriate reserves are required of merchant banks, the same practices should apply to them as apply to chartered banks.

Since, in my view, the near bank industry is a major Canadian industry, I would submit that the Superintendent of Insurance has enough to do without assuming other duties within the banking industry. The Inspector General of Banks has responsibilities and facilities that are more appropriate. This consideration would become increasingly important if provincially incorporated merchant banks and similar institutions should decide to subject themselves to federal regulations.

Clause 5 of the bill requires investment companies to file certain statements and supply information. The Ontario Securities Act, for one, has much more elaborate provisions in this area. Federal requirements should be studied to assure that they are adequate, and if any precedents useful to the federal authorities could be derived from provincial requirements they should be considered. We should, of course, assure ourselves we are not simply adding to the paper work required by investment companies, regardless of how they are defined.

Section 8 deals with loans and investments within and between the subsidiary and related groupings, and with loans to directors, officers and shareholders. Certainly, there are practices in this area which are improper and which should be forbidden. Senator Hayden has shown that the controls available now are rather extensive. But within certain groupings, it may be desirable to have affiliates whose purpose is to provide financing for related organizations. The inspection suggested by the Porter Commission at page 385 in this respect could provide the protection which is required for the public.

I return to section 22. The onus cast upon the Governor in Council by this section could be well nigh intolerable. It could be intolerable for the officials, because of the diversity of financial institutions embraced by the definition section and the appropriate acceptable practices developed within each category of this very important industry. Section 22 could be intolerable to the various industries concerned. The discretion provided in the section is unlimited, and inappropriate regulations could retard legitimate and desirable development. No doubt the residual power of regulation must be vested in the Governor in Council, but too sweeping an authority would not be good. Until the categories of invest-

ment companies are clearly demarked, it is impossible to provide proper regulation. What might suit loan companies might not suit mortgage companies, or merchant banks, or trust companies.

At page 357 the Porter Commission report reads this way:

...the goal of protecting the public against loss can best be achieved with three basic legislative safeguards—adequate disclosure, competent supervision, and legal powers giving the authorities the right to force the correction of unsound or careless practices and to prosecute those engaged in fraudulent or criminal activities.

I would like to cite another example of a problem that arises as a result of the presentation of this bill in this form. There are many large enterprises in Canada that are prosperous, efficient and competitive. They are run by competent Canadian entrepreneurs. These men and these companies see opportunities for Canadian development in various fields.

Let us say that a parent company is a prosperous mining company, oil company or manufacturing company, if you will. It is well regarded, has access to the money markets and enjoys a high reputation. It is sufficiently endowed with assets to facilitate borrowing and to assure both large and small investors of the security of their investment. It sees opportunities, let us say, in the business of light industry, or in real estate development, or in merchandising. It could help develop an industrial park in an area of potential growth. It could erect a modern office building in a progressive city. It could install a shopping centre in an expanding urban area. There is no limit to the opportunities which it could use to accelerate economic growth in the country.

Normally, how does it proceed? It might well incorporate a real estate company. It might incorporate a manufacturing organization. It could set up a company to service hotels, restaurants, ships, aircraft and the like. Any one of these companies might and probably would be wholly-owned by the Canadian parent in my example.

In the language of the act, the parent would have a "significant interest" in each of its individual subsidiaries. Any one of its subsidiaries would have assets and prospects which would give it thoroughly acceptable