

*Trust Companies Act***TRUST COMPANIES ACT**AMENDMENTS RESPECTING INCORPORATION,
ANNUAL STATEMENT, ETC.

Hon. Donald M. Fleming (Minister of Finance) moved the second reading of Bill No. S-11, to amend the Trust Companies Act.

He said: Mr. Speaker, Bill No. S-11, an act to amend the Trust Companies Act, and Bill No. S-10, an act to amend the Loan Companies Act, are almost identical and while we cannot embrace two bills in the one motion nevertheless the explanatory statement I now propose to make really applies to both bills. The bills have in fact only four points in each of them that might be regarded as substantial or significant. All other clauses are consequential or incidental and arise in the main through cross-references to these four points in other sections of the two acts.

The Loan Companies Act and the Trust Companies Act were first enacted in 1914 and apply only to companies incorporated by or under the authority of parliament. These acts, and the amendments to them that are now being proposed, have therefore no application to loan and trust companies that have been incorporated under provincial authority. The number of companies to which these acts do apply is in each case relatively small, there being at the present time only five dominion loan companies and eleven dominion trust companies. Moreover, one of the trust companies, Western Trust Company of Winnipeg, is now in the process of being merged with another trust company, Guaranty Trust Company, after which there will only be ten trust companies under federal jurisdiction.

Mr. Benidickson: Is the minister proposing to name the companies for the benefit of members?

Mr. Fleming (Eglinton): I think it might be simpler if that were left to the committee stage. I am going to suggest after second reading that these two bills might be referred to the standing committee on banking and commerce where there can be a detailed review of the clauses and where Mr. MacGregor, the superintendent of insurance, will be available as a witness. Most of these dominion loan and trust companies have been transacting business for many years. Several were incorporated prior to the turn of the century and some had their origin before confederation.

The Loan Companies Act and the Trust Companies Act did not originally provide for regular supervision by the government but the companies were required to file statements annually with the minister of finance.

[Mr. Fleming (Eglinton).]

However, by amendments made in 1920 the companies were thereafter required to be inspected at least once each year by the superintendent of insurance, and further amendments in 1927 provided for annual licences from the minister. At the present time the powers of these companies, including their investment and lending powers, are strictly limited by statute and all such companies are regularly inspected by the staff of the department of insurance.

The first main amendment relates to the minimum capital that a new loan or trust company must have before the first meeting of the shareholders is called and before the company may commence business. Under the Loan Companies Act it has heretofore been required that in respect of a new company there must be \$100,000 and under the Trust Companies Act \$150,000 of the capital stock subscribed, and in either case at least \$50,000 paid thereon before the provisional directors may call a general meeting of the shareholders; also, that a certificate permitting the company to commence business shall not be issued by the minister until at least \$250,000 of the capital stock has been subscribed and at least \$100,000 paid thereon.

These amounts have not been changed since the acts were originally passed in 1914 and they are now, in general, quite inadequate. The capital required for a new loan or trust company should be substantial but may vary in amount depending upon the nature of the business to be done by a particular company and the field of its operations. Only a very few loan and trust companies have been incorporated by parliament during the last 25 years, one loan company and four trust companies, and it seems preferable to leave it to each company's act of incorporation to determine the amount of authorized capital, the amount to be subscribed and the amount to be paid before commencing business, as is the practice in the case of insurance companies. Parliament can then give consideration to any special circumstances in settling upon suitable amounts of capital. With respect to the incorporation of loan and trust companies by the dominion, it might be pointed out that since 1914 no such company may be incorporated by letters patent under the Companies Act of Canada. Incorporation by special act of parliament is the only permissible course.

The second main amendment relates to the form of the annual statement and the procedure for filing it with the government. Each act prescribes in a schedule the form of annual statement to be submitted to the minister but gives power to the minister to make changes to elicit additional information.