Regulatory and legislative advisory

Title	Substantial Investments - Appendix B.5
Category	Regulatory and legislative
Date	June 30, 2015
Sector	Bank Act Cooperative Credit Associations Act Insurance Companies Act Trust and Loan Companies Act

Appendix B.5 – Trust and Loan Companies

Investments for a Limited Period of Time

This document has been prepared for convenience of reference only and has no official sanction. For all purposes of interpreting and applying the law, users should consult the ICA.

Notes:

In this Appendix,

- **Company** refers to a trust or loan company, as the case may be;
- other abbreviations and capitalized terms have the meaning ascribed to them on pages 1 and 2 of the Advisory; and
- references to provisions are to those of the TLCA.

Temporary investment [451(3)(a) and 456]	A Company may acquire control of, or acquire or increase a substantial investment in, any entity as a temporary investment [456(1)]. **Holding period:** • Where the entity is not a PE only because the Company did not obtain the Minister's approval under subsection 453(5), the Company may hold control of, or a substantial investment in, the entity for (a) **90 days**, or (b) **over 90 days** where the Company requests, within 90 days of acquiring control of, or acquiring or increasing a substantial investment in, the entity, the Minister's approval to extend the holding period [456(4)]. At the Company's request, the Minister may (a) allow the Company to reclassify the investment under the PE category [451(6), (7) and 453(5)] or (b) extend the holding period, including for an indeterminate period [456(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent's approval under subsection 453(6), the Company may hold control of, or a substantial investment in, the entity for **2 years** or such other period specified by the Superintendent [456(1)]. At the Company's request, the Superintendent may (a) allow the Company to reclassify the investment under the PE category [451(6), (7) and 453(6)] or (b) extend the holding period for one or more finite periods [456(3)] or for an indeterminate period [456(5)]. • In all other cases, the Company may hold control of, or a substantial investment in, the entity for **2 years** or such other period specified by the Superintendent [456(1)]. At the Company's request, the Superintendent may extend the holding period for one or more finite periods [456(3)].

Loan workout [451(3)(b) and 457]	Where an entity is in default with respect to a loan that a Company or its subsidiary has made to the entity, the Company or the subsidiary may acquire all or any of the shares of, or ownership interests in, (i) the entity, (ii) any affiliates of the entity, or (iii) an entity that is primarily engaged in holding shares of, ownership interests in, or assets acquired from, the entity to which the loan was made or any affiliates of the entity to which the loan was made [457(1)]. **Holding period:** • The Company may hold control of, or a substantial investment in, the entity for **5 years** [457(2)] or longer where the Superintendent grants an extension [457(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent's or the Minister's approval under section 453, the Company may hold control of, or a substantial investment in, the entity for an **indeterminate period** where the Company, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent's or the Minister's approval [451(6), (7) and 453] or (b) obtains the Minister's approval [457(7)]. Despite the above, where a foreign government, or an entity controlled by a foreign government, is in default with respect to a loan from, or debt obligations held by, a Company, the Company may acquire all or any of the shares of, or ownership interests in, the entity or any other entity designated by the foreign government, if the acquisition is part of a debt restructuring program [457(5)]. The Company may hold those shares or ownership interests for a period specified by the Superintendent, including for an indeterminate period [457(6)].
Realization of a security interest [451(3)(c) and 458]	A Company may, through the realization of a security interest held by the Company or its subsidiary, acquire control of, or acquire or increase a substantial investment in, any entity [458(1)]. **Holding period:** • The Company may hold control of, or a substantial investment in, the entity for **5 years** [458(2)] or longer where the Superintendent grants an extension [458(4)]. • Where the entity is not a PE only because the Company did not obtain the Superintendent's or the Minister's approval under section 453, the Company may hold control of, or a substantial investment in, the entity for an **indeterminate period** where the Company, within the holding period described above, (a) reclassifies the investment under the PE category, with the Superintendent's or the Minister's approval [451(6), (7) and 453] or (b) obtains the Minister's approval [458(5)].