

Thursday, March 8th

Brokers and Salesmen Must All Be Registered In Order to Sell Stock

Attorney-General Price Introduces New "Blue Sky" Legislation Into House—Every Broker Must File Bond of \$500

POWER GRANTED TO CHECK FRAUD

Registrar Under Act May Ask Brokerage Firm to File Statement of Securities Being Sold—Registration May Be Cancelled

Attorney-General William H. Price's widely heralded "Security Frauds Prevention Act" was revealed to the Legislature yesterday afternoon. Second reading of the measure will be deferred until next week in order that all members of the House will have ample time in which to digest its aims and objects.

In introducing the measure, the Attorney-General stressed the point that it had been designed primarily with a view to checking the sale of worthless securities—a problem which had engaged the attention of several Ontario Governments during the last decade. It combined, he said, all the desirable features of the Martin Act of New York State, and of the "blue sky" laws of some forty other States of the Union, "combined with certain ideas of our own gained through experience in Ontario," and already had the "approval of all the better business and financial organizations of the Province who desire to see trading in securities properly safeguarded so that the small investor will not be fleeced."

Nominal Fee.

Features of the act are as follows:

1. Brokers and salesmen must register with the Registrar of joint stock companies in the Provincial Secretary's Department, and no person shall dispose of any security unless he is registered. The registration fee will be nominal.

2. Every broker must file a bond of \$500. This is done to give the Attorney-General's Department an opportunity of controlling the assets of a defunct broker who has defrauded the public, otherwise the assets are frittered away.

3. The Registrar shall keep a book with the name and address of every broker and salesman entitled to do business in the Province.

4. The Registrar may refuse registration within a ten-day period after application if directed by the Attorney-General to do so.

Bond in Some Cases.

5. The Registrar may, on the direction of the Attorney-General, demand a substantial bond by a surety company as a condition precedent to doing business. This is intended to cover the case of foreign brokers and salesmen, and others who may not be reputable, but who may be given a chance to do business under proper bonding.

6. Investigations may be held by the Attorney-General. He is given full power to take such evidence and get such information as may be desirable, and may apply to the Supreme Court of Ontario for injunctions as conditions warrant.

7. The Supreme Court of Ontario may enjoin any brokers or salesmen from trading in securities if it is found that they have been acting in a fraudulent way.

8. The Attorney-General may issue orders to banks to hold funds.

9. The Attorney-General may take bankruptcy proceedings where a broker has become liable for fraudulent acts and is in an insolvent condition.

List of Securities.

10. The Registrar may ask every brokerage firm selling securities to file with him a statement of the securities being sold and what he is representing to the public. If a different representation is made to the public it will be evidence of a fraudulent act, and may lead to a cancellation of registration and an injunction.

A contravention of the act will bring a penalty of not more than \$1,000 for the first offense, nor \$2,000 for the second or subsequent offense, and in either case a first or subsequent offense to imprisonment for a term not exceeding six months. The Martin Act in New York gives imprisonment up to two years, but this act will be administered keeping in mind the Criminal Code as well as the provisions of the act.

Exceptions to Act.

There are certain exceptions to the act, and in connection with the following no person need be registered: (a) judicial sales; (b) isolated transactions by the owner provided they are not such continued and successive transactions as to make him a broker; (c) sale by pledgee for debt; (d) distribution of stock dividends; (e) transactions where one party is a public official, or a bank, loan, trust or insurance company, or is registered; (f) exchange of stock on merger; (g) prospectors' grub-stake, or share of mining property staked by him; (h) trustee securities; (i) secured bonds or notes; (j) negotiable paper; (k) securities based upon conditional sales; (l) shares of educational, benevolent, fraternal, or recreational bodies where there is no pecuniary profit; (m) such other classes of securities as may be exempted by regulation.

Attorney-General Price also told the House: "In drafting this, there has been every effort to keep in mind the fact that there are certain stabilized securities in which one should be able to trade without being registered, and certain classes of transactions not open to fraud. There is also an exemption for the prospector who deals in his own claim, or who is being grub-staked. As soon, however, as a mining claim becomes a stock flotation and its shares are being sold to the public, the broker or salesmen dealing in the stock must be registered."

All persons who sell securities, whether acting as officials or salesmen of companies, or not, are included in the act.

No News for Press After Cabinet Meeting

The Ferguson Cabinet sat until 11.30 o'clock last night, discussing legislation which will be brought down to the Legislature next week.

Hon. Lincoln Goldie's "hospitals" bill, it is understood, came in for special consideration. It is likely that Mr. Goldie will introduce the measure and speak to it Monday next.

No appointments were announced following Council. Premier Ferguson had no news for the waiting press.

PUBLIC UTILITIES TAX OPPOSED BY PREMIER

Asks Withdrawal of Three Bills for City of Toronto

Premier Ferguson, in the Legislature yesterday, asked Russell Nesbitt (Conservative, Bracondale) to withdraw three bills which would have the effect of making public utilities and commissions liable for assessment for local improvements by the municipalities in which they were situated.

The bills which Mr. Nesbitt had introduced for the City of Toronto came up for second reading yesterday and Mr. Ferguson explained a serious situation would arise in the application of these acts to Hydro. If Toronto were to assess the Hydro, all the municipalities along the power line between Toronto and Niagara could do the same, he said, and if that principle were applied it would mean an increase in the cost of power in Toronto of 20 or 25 per cent. "It is not legislation that the House should pass and I must ask Mr. Nesbitt to withdraw it," he said.

Mr. Nesbitt said that he was satisfied with the explanation and would withdraw the bills.

Presentations Are Made To Mr. and Mrs. Macdiarmid

Conservative members of the Legislature, in caucus at noon yesterday, presented Hon. Finlay Macdiarmid, member for West Elgin, with a handsome walking-stick in recognition of the thirtieth anniversary of his entrance to the Legislature. The presentation was made by William H. Ireland, Chief Whip of the party. A basket of roses, the gift of the members, was sent to Mrs. Macdiarmid.