

Feb. 20th.

Clearing House Practices.

"III. As to clearing-house practices:

"(a) Where feasible a one-day delivery to be required in respect of shares bought or sold on any stock exchange, members to have the right by mutual consent, but only where necessary, to delay such delivery.

"(b) Where a similar practice is not now followed clearing houses to be required to check periodically the transactions upon the floor of the exchange against clearings of the same and to report in respect of the same to the exchange which shall take action whenever deliveries appear to be unreasonably or improperly delayed.

"IV. Records to be kept by brokers:

"(a) A proper record to be kept in which shall be entered the particulars of orders from customers showing the time of receiving the same, the price paid or received and the broker from or to whom the security was bought or sold.

"(b) A record to be kept to show the stock position of the broker from day to day.

"V. As to reports to customers:

"Confirmations to customers to show in addition to the usual information the half-hours between which the securities have been purchased or sold, the broker from whom or to whom the security was bought or sold and the exchange upon which the transaction took place. Such confirmation to be rendered promptly.

"VI. As to control of exchanges over their members:

"(a) Every exchange should have full power to control the trading practices and business methods of its members and possess the power to suspend or expel any member who is unwilling or unable to comply with any financial or other requirement of the exchange.

"(b) Steps to be taken to exclude limited companies from representation upon stock exchanges."

Criminal Code Amendments.

The Criminal Code amendments which the Provinces will recommend jointly to Ottawa results from the opinion of the conference that "bucketing" is a difficult charge to prove, and the firm conviction that, with the Security Frauds Prevention Act in force in the various Provinces, giving the Crown an opportunity to investigate complaints when made, there will be a greater chance to get evidence for the laying of charges and their proof in the courts. The phraseology of the recommended sectional amendment is as follows:

"231a. Every person is guilty of an indictable offense and liable to seven years' imprisonment, who, being an individual, or a member or employee of a partnership, or a director, officer or employee of a corporation, where he or the partnership or corporation is employed as a broker by any customer to buy and carry upon margin any shares of any incorporated or unincorporated company or undertaking, either in Canada or elsewhere, thereafter sells or causes to be sold shares of such company or undertaking for any account in which

"(a) he, or

"(b) his firm or a partner thereof, or

"(c) the corporation or a director thereof,

has a direct or indirect interest, if the effect of such sale shall otherwise than unintentionally be to reduce the amount of such shares in the hands of the broker or under his control in the ordinary course of business below the amount of such shares which the broker should be carrying for all customers."

As far back as the 1926 Interprovincial Conference at Ottawa, and again in 1927 at the Dominion-Provincial Conference, it was proposed by the Provinces that the Dominion pass ancillary legislation giving the Provinces an opportunity to regulate the sale of securities of Dominion companies within their jurisdiction. The Provinces draft bill of 1926 has been reshaped, and will now be proposed to Ottawa in the following form, respecting the Companies Act:

"1. The Companies Act is hereby amended by inserting the following Sections:

"PART IV.

"TRADING IN SECURITIES.

"(Interpretation.)

"212. The meaning of any word used in this Part shall, in applying this Act in respect of any Province, include the interpretation given to that word in any act of that Province relating to trading in securities.

"(Provincial Law Applies.)

"213. Every company heretofore or hereafter incorporated under the legislative authority of the Parliament of Canada, except banks, railway, insurance, loan and trust companies, or companies designated by order of the Governor-General-in-Council, shall, with its officials and salesmen and the broker or brokers through whom or which the securities issued by the company are dealt with and the salesmen of such broker or brokers, with respect to trading in securities, whether its own issue or not, be subject to the laws and regulations of any Province in the same manner as companies incorporated under the authority of such Province, provided that no such company shall be required to be registered where securities of its own issue are being traded in only through a registered broker and such broker's salesmen."

The Conference Report.

The complete conference report, with the exception of the appendices, as compiled by the conference secretary, Arthur W. Rogers, solicitor to Colonel Price's department, is herewith given:

"Pursuant to the invitation of the Attorney-General for the Province of Ontario that each Province in Canada send representatives to a conference to be held in Toronto for the purpose of considering security frauds and matters incidental thereto, the various Provinces were represented as follows:

Alberta—G. B. Henwood, Esq., K.C., Deputy Attorney-General; J. J. Frawley, Esq., Solicitor, Attorney-General's Department. British Columbia—H. G. Garrett, Esq., Registrar of Joint Stock Companies and Superintendent of Insurance. Manitoba—W. R. Cottingham, Esq., K.C., Chairman Municipal and Public Utility Board. Quebec—Charles Lanctot, Esq., K.C., Deputy Attorney-General; Ernest Bertrand, Esq., K.C., Senior Crown Prosecutor, Montreal; W. Amyot, Esq., K.C., Special Law Officer, Attorney-General's Department. Saskatchewan—R. W. Shannon, Esq., K.C., Legislative Counsel. Ontario—Hon. W. H. Price, K.C., Attorney-General; Edward Bayly, Esq., K.C., Deputy Attorney-General; Colonel W. W. Denison, K.C., Registrar of Brokers and Companies; A. W. Rogers, Esq., Solicitor, Attorney-General's Department; R. L. Foster, Esq., Superintendent of Insurance.

"The Province of Prince Edward Island, while not represented, has a Security Frauds Prevention Act similar to that in force in a number of the Provinces. New Brunswick has legislation of a type somewhat different, and decided not to be represented. Nova Scotia has no legislation of this type, but is much interested in the conference.

"The conference opened at the Parliament Buildings in Toronto on Monday, Feb. 10, 1930, and sat for five days. Hon. W. H. Price, K.C., Attorney-General for Ontario, acted as Chairman, and Mr. Arthur W. Rogers as Secretary.

Auditors' Report.

"In addition to the representatives of each Province the conference had the opportunity of receiving a report from Messrs. Clarkson and Edwards, who had been appointed by the Province of Ontario to make a special investigation into the methods of the stock exchanges, and to make recommendations for improvement of stock trading and other co-relating transactions.

"The conference also had the opportunity of getting a report on the way trading was carried out on the New York Exchange and the New York Curb as a result of the visit of Messrs. Edwards and Gordon to New York.

"Messrs. Clarkson, Gordon and Pettit reported at length on the working out of the audit provisions provided by the Security Frauds Preven-

tion Act, 1929, and which they had the responsibility of putting in force in the Toronto Stock Exchange and the Standard Mining Exchange over a period of the past six months, and explained the difficulties which they encountered.

"The financial stability of all members trading on these exchanges was of first importance; when that was established better rules of trading were being gradually adopted, and these exchanges had expressed a desire to cooperate in putting in force any rules and regulations that the conference thought advisable.

"The conference had the opportunity of hearing at length representations from the Toronto Stock Exchange, represented by Mr. C. E. Abbs, its President; the Montreal Stock Exchange, as represented by Messrs. Luther, Cassels and Matthewson; the Standard Exchange, as represented by its President, Mr. F. J. Crawford; Mr. Norman Urquhart, and the Vice-President, Mr. G. W. Nicholson; the Vancouver Stock Exchange, by its Vice-President, Mr. A. E. Jukes.

Uniformity in Laws.

"The conference recommends that there should be a uniform Security Frauds Prevention Act in all the Provinces, similar to that in force in Ontario, Manitoba, Saskatchewan, Alberta and Prince Edward Island, and being now considered in Quebec and British Columbia, and that this statute be brought up to date by amendments suggested by this conference. It was thought that uniform language could invariably be used, except in the case of the Province of Quebec, where the Civil Code prevailed, but the principles involved would be treated the same way in all the Provinces.

"As incorporation and organization of companies in Canada is divided in jurisdiction between the Dominion and the Provinces, and as the Criminal Code is enacted by the Dominion and enforced by the Provinces, it was thought advisable to divide the scope of the work of the conference into committees so that the whole ground could be covered and the work expeditiously carried out.

"The following committees were therefore established:

"1. Security Frauds Prevention Act Uniformity: Messrs. Cottingham, Shannon, Garrett and Denison.

"2. Regulation of Exchanges: Messrs. Bertrand, Rogers and Frawley.

"3. Dominion Ancillary Legislation and Criminal Law: Messrs. Bayly, Amyot and Henwood.

"Strachan Johnston, K.C., was available to advise these committees, and Messrs. Edwards, Clarkson and Gordon were in attendance throughout.

"The above committees, after giving consideration to the matters above designated, reported to the conference. The conference, after carefully reviewing the report of the committees and making such amendments as were deemed advisable, came to the following conclusions:

"1. That the uniform Security Frauds Prevention Act amendments as agreed by the conference should be along the lines indicated in the memoranda attached, Appendix 'A.' (These amendments appear in the first part of this report published today.)

"Note—For convenience the Ontario act has been treated as a basis, and the amendments suggested refer to that act. Each Province will have to make its sections dovetail into the legal machinery, legal procedure and other conditions which are peculiar to itself. In principle, however, the acts will be uniform.

"Regulations passed under the powers of the Security Frauds Prevention Act should be, in as far as possible, uniform, and the Provinces will communicate with each other with the idea of bringing into force any regulations affecting brokers and exchanges that may be necessary to bring the same trading conditions into operation in each Province.

Improved Trading Methods.

"2. That the representatives of each Province where one or more stock exchanges exist confer with these exchanges with the idea of having them put into force rules for improved trad-