

Securities Act Change At Next Session Hinted As Conant Plans Study

Promises Intensive Examination of Law, During Recess, in Course of 'Most Important' Debate; Drew Attacks 'Protective' Scheme

SEES BUYER GIVEN FALSE SAFETY SENSE

Intensive study of the Securities Act, with a view to bringing down legislation at the next session if further amendments seemed desirable will be made during the recess, Hon. Gordon Conant announced yesterday in the Legislature, when the House gave second reading to a revision in the act.

His announcement was made during a long debate, described several times by speakers as the "most fruitful and important" of the current session and in which Conservative Leader Drew sharply attacked the system of raising a Government "protective umbrella" over the investor.

As against a paternal system, Colonel Drew argued that the public's best security against fraud lay in the public's ability to protect itself under provisions which assured penalties for fraudulent acts in the sale or transfer of securities.

Colonel Drew, the first commissioner after the Securities Commission was set up in 1931, abandoned a provision which required the escrow of vendors' stock. In explanation of that move, he asserted that the provision gave to the public a sense of false security, in that there was nothing to prevent the sale of the ownership of stock thus held.

He charged that the prospectus issued by Major James Hahn, in transactions leading to the formation of the John Inglis Co., Ltd., "was one of the most fraudulent which has been issued in the Province, and the sale was permitted by the Securities Commissioner because, under the provisions for the escrow of stock, he evidently assumed that the public was protected because the watered stock was held in escrow."

The current Securities Act amendment allows any syndicate agreement, in which the capital does not exceed \$10,000, to be filed in the office of the Provincial Secretary or any mining recorder. It also provides that the securities of such a syndicate may be sold without any registration with the Securities Commission. The measure is designed to aid and to stimulate prospecting.

Discussion on bill opened with A. W. Roebuck, K.C., Liberal member for Toronto-Bellwoods, urging that prospectors be relieved of some of their assessment burdens, and that the \$2 per acre tax on property holdings be increased. One company, he claimed, has more than 100,000 acres under its control, on which it paid the five cents levy.

Mines Minister Leduc asserted there was no demand for removal of assessment work, and that he was not prepared to increase the acreage tax. He stressed that since coming into office, the Government had "thrown open to the public hundreds of thousands of acres which had been in tax arrears."

Colonel Drew said it was his understanding that the mining industry was satisfied on the whole

with provisions of the Mining Act. He was, he said, critical of the restrictions in the Securities Act, from experience gained in the office of Securities Commissioner. He believed that with the best of intentions Ontario had adopted some of the United States' securities "blue sky laws."

In declaring his faith in the principle "let the buyer beware," he said that any attempt to put a protective umbrella over the investor only made him soft and unable to make his own decisions, with the result that he was ever open to the advances of promoters.

"The best protection that can ever be made is to make the investor careful," said Colonel Drew. "Individuals who learn caution themselves are better protected than by any Government measure."

He stressed at the same time it was essential to regulate the broker and the stock salesman. But he was insistent that the Securities Act or some other act be re-drafted so that, while it recognized the principle "let the buyer beware" it would compel the vendor of securities to give a clear explanation of what he is selling. It should, he said, provide a simple procedure whereby in the event of fraud arising from false or inadequate statements the offender could be brought to justice.

He suggested that there should be a conference of all those interested, both mining men and brokers. Mr. Conant said he was in sympathy with the suggestion, that he retained an open mind on the subject and that he had given long hours to the problem.

"But I am not so sure that the principle, 'let the buyer beware,' applies here. I can, for example, tell a lot more about a horse than I can about a stock certificate," he said.

He pointed out that the Securities Commission was confronted with the difficulty of reconciling the mining industry and its proper development with the interests of the investing public.

"There is always the question of whether we should, as it were, leave the sheep to be shorn rather than impose further restrictions," said Mr. Conant.

To do what the Leader of the Opposition suggested might tend to destroy the market for mining securities and build up an unfavorable attitude in the minds of the investing public that would do the mining industry harm, the Attorney-General continued. The analogy drawn by the Leader of the Opposition between a person buying a home and a person buying stock was not a particularly good one, Mr. Conant declared. There was a great deal of difference in the two transactions. A person could see what he was buying when he went to purchase a house, but the purchase of stock was a different matter, he said.