



CHAPTER 72

An Act to amend the Security Frauds Prevention Act, 1930

[Assented to, the 18th of May, 1935]

HIS MAJESTY, with the advice and consent of the Legislative Council and of the Legislative Assembly of Quebec, enacts as follows:

1. Section 1 of the Security Frauds Prevention Act, R. S., c. 1930 (Revised Statutes, 1925, chapter 228A, as enacted by the act 20 George V, chapter 88), is replaced by the following:
R. S., c. 228A, s. 1, replaced.

“**1.** This act may be cited as the *Securities Act*.” Short title.

2. Section 2 of the said act is amended:

a. By striking out the words: “as may be designated by the Regulations”, in the second and third lines of sub-paragraph *b* of paragraph 1 thereof; R. S., c. 228A, s. 2, am.

b. By inserting therein, after sub-paragraph *d* of paragraph 3 thereof, the following sub-paragraphs:

“*e.* Any promise or representation, in writing or verbal, made by a broker or a salesman to induce an individual to become purchaser of a security, to the effect that the security sold or offered for sale will be bought back or resold by such broker or salesman or by any person or company; or to the effect that the whole or part of the price of sale of such security will be reimbursed to the purchaser in any way. Fraudulent act;”

The provisions of this sub-paragraph shall not apply, however, to a statement made by a broker or salesman the security which he is selling or offering for sale is redeemable or reimbursable by the company which issued it, if such statement is correct; Application restricted;

Fraudulent act; "f. Any promise or representation, in writing or verbal, made by a broker or salesman without reasonable excuse, to induce an individual to become purchaser of a security, to the effect that the security offered for sale will be listed on an exchange;"

c. By replacing in the first line of each of the subparagraphs *e, f, g* and *h* of the said paragraph 3, respectively, the letters: "*e, f, g, h*", by the letters: "*g, h, i, j*";

"Officer". f. By adding thereto, after paragraph 11 thereof, the following paragraph:

"12. "Officer" or "official" shall include the president, vice-president, secretary, treasurer, managing director and general manager."

R. S., c. 228A, s. 3, am.

3. Section 3 of the said act is amended:

a. By inserting therein, after the word: "employee", in the first line of paragraph *b* of subsection 1 thereof, the word: ", officer";

b. By adding thereto, after subsection 4 thereof, the following subsection:

Trading prohibited prior to being authorized therefor.

"5. An individual, who, in the case of an association or partnership not incorporated, becomes a member or officer thereof, and, in the case of a company, becomes an officer thereof, after such association or partnership or such company has been registered under the provisions of this act, must not trade in such new capacity or under such new title until the association or partnership or the company of which he has become a member or officer, as the case may be, has received written permission from the Registrar authorizing the individual to trade."

R. S., c. 228A, s. 3a, added.

4. The said act is amended by adding thereto, after section 3 thereof, the following section:

Salesmen to be registered.

"**3a.** No broker shall employ, directly or indirectly, any person as salesman, in connection with the trading in securities, unless such person so employed be registered as a salesman for such broker under the provisions of this act.

Offence.

Failure to comply, without reasonable excuse, with the provisions of this section shall constitute an offence."

R. S., c. 228A, s. 4, replaced. Registrations.

5. Section 4 of the said act is replaced by the following:

"**4.** 1. There shall be two kinds of registration, namely:

- (1) Annual registration;
- (2) Temporary registration.

How granted, etc.

2. Such registrations shall be granted at the discretion of the Registrar, unless the Attorney-General otherwise directs, and are effected by means of the entry, in a book

kept for such purpose, open to public inspection and hereinafter called the "Register", of the name and address for service of such applicant.

3. The annual registration shall expire on the thirtieth day of June in each year, and every registered broker or salesman must have his registration renewed by application therefor on or before the twenty-first day of June. Annual registration.

4. Temporary registration is effected for such period of time as the Registrar may determine. Temporary registration.

5. The annual or the temporary registration may be granted permitting the trading in certain securities or certain classes of securities only; such registration may also be granted under any conditions fixed by the Registrar." Partial trading, etc.

6. Section 7 of the said act is amended by adding thereto, after subsection 2 thereof, the following paragraph: R. S., c. 228A, s. 7, am.

"The provisions of Division II of the Criminal Cases Recognizance Act (Chap. 148) shall apply, *mutatis mutandis*, to the bonds furnished in conformity with the provisions of section 6, and, for such purpose, the certificate of the Attorney-General shall take the place of the certificate mentioned in section 4 of the said Criminal Cases Recognizance Act." Provisions applicable to bonds.

7. Section 17 of the said act is amended: R. S., c. 228A, s. 17, am.

a. By replacing the word: "one", in the seventh line of subsection 1 thereof, by the word: "five";

b. By replacing the word: "two", in the eighth line of the said subsection 1 thereof, by the word: "ten";

c. By replacing the words: "six months", in the twelfth line of the said subsection 1 thereof, by the words: "two years";

d. By replacing the words: "six months", in the ninth line of subsection 2 thereof, by the words: "two years";

e. By adding thereto, after subsection 2 thereof, the following subsection:

"3. Notwithstanding the provisions of subsection 3 of section 12 of the Quebec Summary Convictions Act (Chap. 165), in all suits brought under subsections 1 and 2 of this section, the complaint or information may relate to several matters and to several infringements." Particulars of complaint, etc.

8. The said act is amended by adding thereto, after section 17a thereof, as enacted by the act 23 George V, chapter 85, section 1, the following sections: R. S., c. 228A, ss. 17b, 17c, added.

Offences and penalties. “**17b.** Whosoever conspires with one or more persons to commit any offence or offences against any provision of this act or of the regulations, designated as an offence, or to commit any fraudulent act not punishable under the provisions of the Criminal Code of Canada, commits an offence against the provisions of this act and shall be liable to the penalties provided in section 17 of this act.

Idem. “**17c.** Any person is a party to an offence against the provisions of this act or to a fraudulent act and commits an offence when he:

a. In reality commits such offence or such fraudulent act;

b. Does or refrains from doing something for the purpose of helping someone to commit such offence or such fraudulent act;

c. Provokes or incites someone to commit such offence or such fraudulent act;

d. Advises someone to commit such offence or such fraudulent act or causes someone to commit such offence or such fraudulent act.”

R. S., c. 228A, s. 22a, added. **9.** The said act is amended by adding thereto, after section 22 thereof, the following section:

Books of accounts. “**22a.** 1. Every broker who is not a member of a stock exchange must keep books of account in which are entered:

Contents of same. *a.* A statement of his receipts and expenditures, indicating the sources of the receipts and the objects of the expenditures;

b. A statement of his purchases and sales of securities;

c. The names and addresses of the persons to whom he sells or from whom he purchases securities and the details of such transactions;

d. A statement of his assets and liabilities.

Where to be kept. Such books of account must be kept at the main business office of the broker in this Province, unless permission in writing has been obtained from the Registrar to keep them elsewhere.

Offence. 2. Failure, without reasonable excuse, to comply with the provisions of this section shall constitute an offence.”

R. S., c. 228A, s. 26, am. **10.** Section 26 of the said act, as enacted by the act 23 George V, chapter 85, section 2, is amended by replacing the words: “must sell”, in the tenth line of subsection 1 thereof, by the words: “will sell or will offer for sale”.

Id., ss. 28-30, added. **11.** The said act is amended by adding thereto, after section 27 thereof, as enacted by the act 23 George V, chapter 85, section 2, the following sections:

“28. 1. No salesman shall trade in securities for a broker other than the one for whom he is registered as salesman, unless the written consent of the broker for whom he is registered shall have been filed with the Registrar. Consent required for certain salesman.

2. Failure, without reasonable excuse, to comply with the provisions of this section shall constitute an offence.

“29. 1. No one shall call upon any individual at any residence for the purpose of trading in securities. Certain trading prohibited.

The word “residence” shall mean and include any building or part of a building in which the occupant thereof resides, either permanently or temporarily, and any premises appurtenant thereto, but shall not include a business office. “Residence”.

The word “individual” shall not include close personal friends, business associates, or customers with whom the broker or salesman habitually trades. “Individual”.

The words “call upon” include telephonic communications. “Call upon”.

2. Failure, without reasonable excuse, to comply with the provisions of this section shall constitute an offence.

“30. The Registrar may, from time to time, and must upon the Attorney-General’s instructions, order any broker or salesman not to trade in one or several classes of securities. Upon receipt of such order, the broker or salesman must refrain from trading in the security or securities mentioned in the order. Failure by the broker or salesman to comply with such order shall constitute an offence. Ordering of broker, etc., to cease trading.

12. The provisions of the foregoing section 6 of this act shall apply to bonds furnished since the 1st of September, 1930. Application.

13. This act shall come into force on the day of its sanction. Coming into force.

