



## CHAPTER 88

An Act for the prevention of fraud in connection with securities

[Assented to, the 4th of April, 1930]

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

**1.** The Revised Statutes, 1925, are amended by inserting therein, after chapter 228 thereof, the following chapter: <sup>228A, added.</sup>

### “CHAPTER 228A

#### “AN ACT FOR THE PREVENTION OF FRAUD IN CONNECTION WITH SECURITIES

##### “PRELIMINARY PROVISIONS

**“1.** This act may be cited as *Security Frauds Prevention Act, 1930.* Short title.

**“2.** In this act, unless the context requires a different interpretation, the words: Interpretation:

1. “Broker” shall mean: “Broker”;
  - a. Every person, other than a salesman, who engages either for the whole or part of his time directly or through an agent in the business of trading in securities; and
  - b. A company and such officials of a company or partnership which trades in securities as may be designated by the Regulations; and
  - c. A security issuer;

“Com-  
pany”;

2. “Company” shall include any association, syndicate, firm, company or other organization, constituted as a corporation;

“Fraud”,  
“fraudu-  
lent”, “frau-  
dulent act”;

3. “Fraud”, “fraudulent” and “fraudulent act” shall, in addition to their ordinary meaning, include:

- a. Any intentional misrepresentation by word, conduct or in any other manner, of any material fact, either present or past, and any intentional omission to disclose any such fact;
- b. Any promise or representation as to the future which is beyond reasonable expectation or not made in good faith;
- c. Any fictitious or pretended trade in any security;
- d. The gaining or attempt to gain, directly or indirectly, through trading in any security, an unreasonable commission, fee or gross profit;
- e. Any course of conduct employed with intent to deceive the public or the purchaser or vendor of any security as to the nature of any transaction or as to the actual value of such security;
- f. The making of any false statement concerning a material fact in any application, information, documents or evidence, submitted or given to the Attorney-General, to his representatives or to the Registrar, under the provisions of this act or the Regulations; or in any prospectus or return filed with the Provincial Secretary;
- g. The violation of any provision of this act or of the Regulations relating to the manner of trading in securities, or of any provisions designated in the Regulations as coming within the meaning of this definition;
- h. Generally, any artifice, agreement, device, scheme, course of conduct or business to obtain money, profit or property by any of the means as hereinbefore set forth or otherwise contrary to law and anything specifically designated in the Regulations as coming within the meaning of this definition.

“Investiga-  
tion”;

4. “Investigation” shall mean an investigation made by the Attorney-General or his representative under section 10 of this act;

“Person”;

5. “Person” shall mean an individual, partnership, association, syndicate or other organization, not constituted as a corporation;

6. "Registrar" shall mean the person appointed by the "Registrar"; Lieutenant-Governor in Council to act as Registrar under the provisions of this act and the Regulations;
7. "Regulations" shall mean the regulations made by the "Regulations"; Lieutenant-Governor in Council under the provisions of this act;
8. "Salesman" shall mean any person employed or authorized by any broker or company to trade in securities, whether directly or through sub-agents;
9. "Security" shall, subject to the provisions of subsection 4 of section 3, include:
  - a. Any document, instrument or writing commonly known as a security; or
  - b. Any document constituting evidence of title to or interest in the capital, assets, property, profits, earnings or royalties of any person or company; or
  - c. Any document, constituting evidence of an interest in an association of legatees or heirs; or
  - d. Any document constituting evidence of an interest in any option given upon a security; or
  - e. Any document designated as a security by the Regulations;
10. "Security issuer" shall include a company or person, other than an individual, trading in securities of its own issue and not trading generally in other securities;
11. "Trade" or "Trading" shall, subject to the provisions of subsection 3 of section 3, include:
  - a. The alienating or disposing of a security or option thereon or interest therein, or the soliciting to obtain a subscription for a security or the obtaining of such subscription, or the attempt to do any of these acts, for a valuable consideration, whether the terms of payment be upon margin, instalments or otherwise;
  - b. The underwriting of the entire or part of an issue of securities;
  - c. Any act, advertisement, conduct or negotiation having for its object or effect the realizing, directly or indirectly, of one or more of the operations declared to be "Trade" or "Trading" by this subsection or by the Regulations;
  - d. Any operation defined by the Regulations as constituting "Trade" or as coming under the expression "Trading" within the meaning of this subsection.

## "PART I

*"Registration of brokers and salesmen*

Registration  
required.

"3. 1. No person shall,—

- a. Trade in any security unless he be registered as a broker or as a salesman for a registered broker;
- b. Act as an employee or agent of any person or company in connection with trading in any security by such person or company, unless he himself or such person or company be registered as a broker;
- c. Act as a salesman for any person or company in connection with trading in any security by such person or company, unless he be registered as a salesman for a person or company registered as broker.

How registra-  
tion  
made.

The registration must be made in accordance with the provisions of this act and the Regulations; and any violation of the provisions of this section shall constitute an offence.

Who may be  
registered.

2. With the approval of the Provincial Secretary, any person or company may be registered as a broker, whereupon such person or company may trade in securities; and, in the case of a person, the individual members and officials, and, in the case of a company, its officials, with the exception in both cases of branch managers and salesmen, may act as such without separate registration, and the provisions of this act and of the Regulations relating to registered persons or companies shall be deemed to apply to such person or company.

Provisions  
not ap-  
plicable to  
certain  
trades or  
transac-  
tions.

3. Subsections 1 and 2 of this section shall not apply to any person or company in respect of the following classes of trades or transactions,—

- a. A judicial sale of securities or a sale thereof by a testamentary executor, tutor, curator, trustee, authorized trustee, receiver, custodian or liquidator under any legal provision;
- b. An isolated sale of securities by or on behalf of the owner, where such sale is not made in the course of continued and successive transactions of a like character nor by a person whose usual business is trading in securities;
- c. A sale by an official or employee, in the performance of his duties as such, of His Majesty in the right of the Dominion or any province or territory of Canada, or by an official or employee of a Commission appointed under an act of the Parliament of Canada or of the Legislature of this Province;

- d. A sale by or for the account of a creditor-pledgee for the purpose of liquidating a debt contracted in good faith, by selling or offering for sale in good faith, in the ordinary course of business, any security also pledged in good faith to guarantee payment of such debt;
  - e. The distribution, issuance or sale by a company exclusively to the holders of shares of its capital stock, its bonds or other securities as a stock dividend or as a distribution out of profits or surplus, or in the process of a *bona fide* reorganization of the company, or of increasing its capital, where no commission or other remuneration is paid or given in connection therewith;
  - f. The exchange by or on account of one company with another company of its own securities in connection with a consolidation, amalgamation or merger of such companies;
  - g. Every kind of trade specifically exempted by the Regulations from the application of subsections 1 and 2 of this section.
4. Subsections 1 and 2 of this section shall furthermore not apply to trading in the following securities nor to the transactions respecting same: Provisions not applicable to certain securities.
- a. Securities in which trust funds may lawfully be invested under the provisions of the Civil Code;
  - b. Securities secured by hypothec on moveable or immoveable property, when the whole of such securities are sold at one and the same time by a company;
  - c. Promissory notes or commercial paper maturing not more than one year from the date thereof and those payable on demand;
  - d. Any class of securities specifically exempted from the application of subsections 1 and 2 of this section by the Regulations.

“4. 1. Unless the Provincial Secretary otherwise directs, “Register”. the Registrar may cause to be entered, in a book kept for such purpose and open to public inspection, hereinafter Contents. called the “Register”, the name and address for service of such applicant, whereupon such applicant shall be deemed to be registered temporarily or otherwise as a broker or salesman, as the case may be.

2. The Registrar may, unless the Provincial Secretary Temporary entry. otherwise directs, cause a temporary entry to be made, designated as such, in the register, subject to cancellation at any time upon the order of the Provincial Secretary.

Expiration,  
etc. of registra-  
tions.

3. Registrations shall expire and shall be changed and renewed, as the Regulations shall provide.

Mode of re-  
gistering.

“5. 1. Every application for registration under this act or the Regulations shall be made in writing upon the forms provided by the Registrar, and shall be accompanied by the prescribed fees and the bond or bonds required by the Regulations.

Contents of  
application.

2. Every applicant, whether domiciled in this Province or not, shall state in his application an address in this Province where notices may be sent to him and service made, and, thereafter, all notices under this act or the Regulations shall be validly sent and all legal process shall be validly served if posted by registered mail to the applicant at such address.

Additional  
informa-  
tion.

3. The Registrar may, from time to time, and shall, when so directed by the Provincial Secretary, require any further information or document to be submitted by any applicant or any registered person or company within a specified time limit, and may require verification, by affidavit or otherwise, of any information then or previously submitted.

Bond for re-  
gistration as  
broker.

“6. 1. Every applicant for registration as a broker shall, with his application, furnish a bond for five hundred dollars given by the applicant himself or the person or company he represents, as the Registrar may require, in such form and upon such conditions as the Regulations shall prescribe.

Id., by any  
applicant.

2. The Registrar may, and shall, when so directed by the Provincial Secretary, require any applicant or any registered person or company to deliver, within a specified time limit, a bond by a surety company, approved by the Lieutenant-Governor in Council, or any other bond. The form, conditions and amount of the bond shall be determined by the Regulations and, in the absence of any provision regarding same, by the Provincial Secretary.

Additional  
bond.

3. The Registrar may, and shall, when so directed by the Provincial Secretary, require a new bond or an additional bond, or both, of the kind mentioned in subsections 1 and 2 of this section, to be given within a specified time limit.

Forfeiture  
of bond.

“7. 1. Any bond mentioned in section 6 shall be forfeit and the sum named therein shall become due and payable by the person or company bound thereby to His Majesty in the right of the Province of Quebec, when there has been

filed with the Registrar the Provincial Secretary's certificate that the broker or salesman in respect of whose conduct the bond is conditioned, or any official of such broker, has, in connection with a trade in a security, been,—

- a. In the case of the bond required by subsection 1 of section 6:
  - (i) convicted of any criminal offence; or,
  - (ii) found, by the Attorney-General, after investigation, to have committed a fraudulent act within the meaning of this act;
- b. In the case of the bond required by subsection 2 of section 6:
  - (i) convicted of a criminal offence; or
  - (ii) convicted of an offence against any provision of this act or the Regulations; or
  - (iii) sentenced on an injunction to no longer trade in one or more securities, in accordance with the provisions of Part II of this act; or
  - (iv) a party to civil proceedings in the courts as a result of which final judgment has been given against such person, company or official, where such judgment establishes fraud.

2. The Provincial Secretary may transfer any bond forfeited under the provisions of subsection 1 of this section, or any monies recovered thereunder, to any person or to the Provincial Treasurer in trust for such persons and companies as have become judgment creditors of the person or company bonded, or to any trustee, custodian, interim receiver, receiver or liquidator of such person or company, as the case may be; such assignment or transfer to be made upon the conditions set forth in the Regulations or in any order of the Lieutenant-Governor in Council.

“S. 1. The Provincial Secretary may order:

- a. That the application of any person for registration shall not be granted where it appears that such person proposes to use or is using a trading name other than his own, or that of his partner, where such trading name is apt to confuse it with that of another brokerage firm of longer established standing in the Province, or is calculated to conceal from the public the identity of the applicant, or is for any reason objectionable; or
- b. That any application for registration, or renewal or change of registration, shall or shall not be granted, for any reason which he may deem sufficient; or

- c. That any temporary entry in the register shall be made, suspended or cancelled, for any reason which he may deem sufficient; or
- d. That any registration shall be reduced to a temporary registration or suspended or cancelled upon,—
  - (i) suspension from any stock exchange of any broker or of any representative upon any stock exchange of any broker, or
  - (ii) institution of criminal proceedings against the broker or any official of the broker, or
  - (iii) conviction of the broker or an official of the broker of an offence against this act or the Regulations; or
- e. That the registration of any broker or salesman shall be suspended for any period or cancelled, by reason of default in fying a bond when required under the provisions of subsections 2 and 3 of section 6; or
- f. That the registration of any broker or salesman shall be suspended as provided in section 11; or
- g. That the registration shall be cancelled when, in the case of a broker or salesman, such broker or salesman becomes insolvent or, in the case of a company, when it is in liquidation.

Order final. No such order of the Provincial Secretary shall be subject to review in any court.

Entry of order in register. 2. The Registrar, upon receiving any order of the Provincial Secretary suspending or cancelling any registration, shall cause immediate entry thereof to be made in the register, whereupon the suspension or cancellation shall become effective forthwith.

Notice. Notice of such order and of the refusal of an application for registration shall be given to the broker or salesman concerned.

Further application. 3. Notwithstanding any order of the Provincial Secretary, a further application for registration may be made if new or other reasons are alleged, or where it appears that material circumstances have changed.

Provisions safeguarded. “9. No provisions of this act shall affect those of the Quebec License Act (Chap. 25) respecting brokers’ licenses.

## “PART II

### *“Investigation and action by the Attorney-General*

Investigations. “10. 1. The Attorney-General, and any person or persons to whom as his representative or representatives he may in writing delegate such authority, may hold an in-

investigation and examine any person, company or thing whatsoever at any time in order to ascertain whether any fraudulent act, or any offence against this act or the Regulations, has been, or is about to be committed.

For such purpose the Attorney-General or his representative shall have the same power to summon and enforce the attendance of witnesses and to compel them to give evidence on oath and to produce documents, records and things as is vested in the Superior Court or a judge thereof for the trial of civil cases, save that the provisions of rules of court or of law relating to the service of subpoenas upon and to the payment of conduct money or witness fees to witnesses shall not apply and save that no person shall be entitled to refuse to answer or to claim any privilege in respect of any document, record or thing asked for, given or produced, on the ground that he might be incriminated or exposed to a penalty or to civil litigation thereby, subject however to the provisions of The Canada Evidence Act.

2. When the Attorney-General, or his representative, is about to examine or is examining any person or company under this section, the Attorney-General may appoint an accountant or accountants or other expert or experts to examine documents, properties, records and matters, and report thereon to him. Each such accountant and expert shall have all the powers conferred by the second paragraph of subsection 1 of this section upon the Attorney-General or his representatives.

3. The failure, without reasonable excuse, of any person or company to furnish information required by the Registrar under Part I of this act within the time limited, or the failure, without reasonable excuse, of any person summoned for examination under subsection 1 of this section to appear, or his refusal to give evidence, or to answer any question that would be pertinent to any proceeding before a court of civil jurisdiction, or the failure, without reasonable excuse, or refusal of any person or company to produce anything, the production whereof is required, or the failure, without reasonable excuse, or refusal of any person or company to permit the examination of documents, properties, records and matters by the accountants or experts mentioned in subsection 2 of this section, or the refusal to answer the questions put by such experts or accountants, shall constitute an offence, and shall be *prima facie* evidence upon which,—

a. The Attorney-General, or his representative, may rule that a fraudulent act has been committed in connection with the operation being investigated; or

Atty.-Gen.  
may obtain  
injunction;  
Judge may  
convict.

- b. The Attorney-General may obtain an injunction under the provisions hereinafter; or
- c. A Judge of the Sessions, a Police Magistrate, or a District Magistrate, may, as provided in section 17 of this act, convict for an offence against this act or the Regulations.

Procedure  
by Atty.-  
General  
upon frau-  
dulent act.

“**11.** If the Attorney-General finds that any fraudulent act, or that any offence against this act or the Regulations, has been, or is about to be committed, he may,—

- a. Where he has reason to believe that a registered broker, company or salesman, is concerned in such fraudulent act or in such offence, order that such broker, company or salesman, or any other registered broker, company or salesman, concerned directly or indirectly in such fraudulent act or in such offence, be suspended from registration for any period not exceeding ten days; or
- b. Where he considers a suspension of ten days inadequate, or where any unregistered person or company is in his opinion concerned, directly or indirectly, in such fraudulent act or in such offence, proceed under the provisions of section 12, or otherwise under this act or the Regulations; or
- c. Give notice of the suspension and of the fraudulent act to the public by advertisement or otherwise, or to any individual by letter or otherwise, whenever he deems it advisable.

Power of  
Sup. Court  
in case of  
fraudulent  
act, etc.

“**12.** 1. The Superior Court or any judge thereof, upon application of the Attorney-General alleging that any fraudulent act or any offence against this act has been committed, may by order enjoin,—

- a. Any registered broker, company or salesman, or any person or company, directly or indirectly implicated with any of them in the same matter, from trading in any security whatever for all time or for such period of time as shall seem just, and any such order shall *ipso facto* suspend the registration of any registered person or company named in the order, during the same period; or
- b. Any person or company from trading in any security whatever, or in any specific security, for all time or for such period of time as shall seem just.

Application  
by petition.

2. The application of the Attorney-General under subsection 1 of this section may be made, without any action being instituted, by a petition for an interlocutory injunc-

tion filed without any notice or security. If the interlocutory injunction is granted it shall thereafter be subject to the provisions of the Code of Civil Procedure respecting injunctions.

In proceedings under this section, the evidence of a witness may be used against him notwithstanding anything contained in the laws respecting evidence.

**13.** 1. The Attorney-General may,—

a. before, during or after an investigation made under the provisions of section 10 of this act; or

Powers of  
Attorney-  
General.

b. when he is about to apply for or has applied for or has obtained an interlocutory injunction, under the provisions of section 12 of this act; or

c. where criminal proceedings, which in his opinion are connected with or arise out of any trade in securities, are about to be or have been instituted against any person or company,—

in writing or by telegram:

(i) order any person or company, having in the Province on deposit or under control or for safe keeping any funds or securities of the person or company in question, to hold such funds or securities in trust for any interim receiver, custodian, trustee, receiver or liquidator appointed under the provisions of any act, or until such order is revoked in whole or in part; or

(ii) direct the person or company so to be or actually examined, enjoined or charged to refrain from withdrawing any such funds or securities from any other person or company having any of them on deposit, under control or for safe keeping, or to hold the funds or securities of clients or others in his possession or control.

If such order is given to a bank, to a loan company or to a trust company, it shall apply only to the offices, branches or agencies named in the order.

Order to  
name offices,  
etc.

Failure, without reasonable excuse, by any person or company to comply with any such order shall constitute an offence, provided that no such order shall apply to funds or securities in a stock exchange clearing house, nor to securities in process of transfer by a transfer agent, unless such order expressly so states.

Offence.

Proviso.

2. Any person or company in receipt of an order given under subsection 1 of this section, if in doubt as to the application of such order to certain funds or securities in his or its possession, or in case of a claim being made thereto by any person or company not named in such order, may

Application  
to Superior  
Court.

apply by petition to the Superior Court or a judge thereof, which court or judge may direct the disposition of such funds or securities and order who shall pay the costs.

Notice to registrar in certain cases.

3. In any of the circumstances mentioned in paragraphs *a*, *b* and *c* of subsection 1 of this section, the Attorney-General may, by letter or telegram, notify any registrar of a registration division, or the Bureau of Mines of the Province, that proceedings have been or are to be taken against the persons or companies mentioned in the notice and that such proceedings may affect the immoveables or mining rights likewise mentioned in the notice. Such notice shall be registered by the registrar and by the said Bureau of Mines opposite the name of the persons or companies and opposite the immoveables or mining rights concerned, and no transaction relating to such immoveables or mining rights shall thereafter be registered until the notice has been revoked.

Registration thereof.

Proceedings by Attorney-General to appoint receiver, etc.

4. The Attorney-General, whenever His Majesty becomes a creditor of any person or company under the provisions of section 7 of this act, may take such proceedings as he shall see fit for the appointment of an interim receiver, a custodian, a trustee, a receiver or a liquidator, as the case may be.

### “PART III

#### “General Provisions

Provisions applicable.

“14. The provisions of the Code of Civil Procedure and the Rules of Practice made thereunder, including those relating to the execution of judgments and orders, insofar as such provisions are applicable and are not contrary to the provisions of this act, shall apply to every proceeding under this act before the Superior Court or a judge thereof, and before the Court of King’s Bench (Appeal Side) or a judge thereof, save that services of notices and other legal process shall be in accordance with subsection 2 of section 5 of this act.

No action, etc. to lie, etc., against Attorney-General, etc.

“15. No action whatever, and no proceedings by way of injunction, mandamus, prohibition or other extraordinary remedy, shall lie or be instituted against the Attorney-General, the Provincial Secretary or the Registrar, or against any person or company acting upon the written or verbal instructions of the Attorney-General, the Provincial Secretary or the Registrar, in respect of any act or omission in connection with the administration or carrying out of the provisions of this act.

“**16.** The Lieutenant-Governor in Council may establish, alter, replace and repeal the tariff of the duties and fees to be paid on the doing of any act to be done by the Provincial Secretary, by the department over which he presides, or by an officer of such department, or by any person whomsoever, under this act, and may make and from time to time amend, alter or repeal Regulations not inconsistent with this act, for the carrying out of the provisions of this act, for the more efficient administration thereof in order to prevent fraud in the trading in securities whether upon any stock exchange or elsewhere in the Province, and for any other purpose indicated in this act; and all such Regulations and any amendment, alteration or repeal thereof shall become effective in all respects as if enacted in this act, upon the publication thereof in the *Quebec Official Gazette*.  
Powers of Lt.-Gov. in C. as to tariff of fees, etc.  
 Id., as to regulations.  
 Publication in *Official Gazette*.

“**17.** 1. Every person who violates any provision of this act or of the Regulations, designated as an offence, or who does any fraudulent act not punishable under the provisions of the Criminal Code of Canada, shall be liable upon conviction thereof under the Quebec Summary Convictions Act (Chap. 165), in addition to the costs, to a fine of not more than one thousand dollars for a first offence, nor of more than two thousand dollars for a second or subsequent offence, and in all cases in default of payment of any fine imposed and the costs, or in addition to such fine and costs, to imprisonment for a term not exceeding six months.  
Penalties.

2. The provisions of subsection 1 of this section shall apply, *mutatis mutandis*, to any company, save that the fines may be increased to a sum not exceeding twenty-five thousand dollars and that the court may, if the fine and costs are not paid by the company, order that they shall be paid by such directors, officers or employees of the company as the court may designate and in the proportion which the court indicates, and, failing payment by them, that they be imprisoned for not more than six months.  
Penalties against companies.

“**18.** Whenever, upon an investigation under the provisions of section 10 of this act, a person or company—  
Offences.

- a. is found guilty of a criminal offence regarding trade in securities; or
- b. is found guilty of an offence against the provisions of this act or of any fraudulent act; or
- c. receives a peremptory injunction forbidding him to do a certain or any trade in securities; or
- d. has been examined and documents, records, properties or matters have also been examined by an accountant or other expert appointed by the Attorney-General,

Certificate of costs. the Attorney-General may certify in writing the cost of such investigation and of such examination. In order that such certificate may avail as a judgment in favour of His Majesty in the right of the Province against the person or company concerned, it must be homologated by the Superior Court or a judge thereof sitting in the district in which the examination or investigation took place, wholly or in part, on a summary petition at the diligence of the Attorney-General after reasonable notice; and the latter may, after such homologation, recover the amount homologated by execution upon the property of such person or company, according to the provisions of the Code of Civil Procedure respecting compulsory execution of judgments.

Homologation of certificate.

Execution proceedings.

Warrant of arrest. “**19.** 1. Where a police magistrate or justice of another Province issues a warrant for the arrest of any person on a charge of violating any provision of the Security Frauds Prevention Act or any similar statute of that Province, any police magistrate or justice of the Province of Quebec, within whose territorial jurisdiction that person is or is suspected to be, may, upon satisfactory proof of the authenticity of the signature of the police magistrate or justice who issued the warrant, make an endorsement thereon in the form prescribed by the Regulations; and the warrant so endorsed shall be sufficient authority to the person bringing the warrant and to all other persons to whom it was originally directed and to all police constables within the territorial jurisdiction of the police magistrate or justice so endorsing the warrant to execute it within that jurisdiction and to take the person arrested thereunder either out of or anywhere in this Province and to re-arrest such person anywhere in this Province.

Jurisdiction of certain police constables. 2. Any police constable of the Province of Quebec or of any other Province of Canada who is passing through the Province of Quebec, having in his custody a person arrested in another Province under a warrant endorsed in pursuance of subsection 1 of this section, shall be entitled to hold, take and re-arrest the accused anywhere in the Province of Quebec under such warrant without proof of the warrant or of the endorsement thereof.

Registrar. “**20.** The Lieutenant-Governor in Council may appoint a special officer to be called the Registrar, and such other officers and employees deemed necessary to carry out the provisions of this act, at such salaries as he may be pleased to fix, and all such salaries shall be paid out of the consolidated revenue fund.

## "PART IV

## "Audit, accounts, information

## "21. 1. In this Part:

- a. "Brokers' Auditor" shall mean an accountant charged with auditing the books and accounts of brokers and whose name is on the panel of brokers' accountants approved by an executive committee; Interpretation: "Brokers' Auditor";
- b. "Executive Committee" shall include the board of directors, managing committee or other governing committee of a stock exchange in the Province of Quebec. "Executive Committee";

2. The executive committee of each stock exchange shall, from time to time, select a panel of brokers' auditors from the accountants who have practised in the Province for not less than five years. Panel of brokers' auditors.

No brokers' auditor may be in the employ of a broker, person or company whose business he has to audit. Restriction.

3. The executive committee shall allot to each brokers' auditor the persons or companies, whether members of or represented upon the exchange, whose business is to be audited by him. Allotment.

The expenses of every audit are to be paid to the brokers' auditor by the executive committee, subject to repayment forthwith by the person or company whose business is audited, and until such repayment is made the executive committee shall have a lien upon the seat belonging to or controlled by the person or company so indebted to such executive committee. Expenses of audit.

4. Every brokers' auditor shall, each year, audit the assets and liabilities, at a permanent date in each year fixed by the executive committee and prepare a balance sheet showing the position at such date of the business and affairs, of each person or company allotted to him. Duties of brokers' auditor.

He shall also in each year make a like audit and prepare a like balance sheet at a date designated by the executive committee, such last mentioned date to be not earlier than four months nor later than eight months from the permanent date in such year. Idem.

He shall also make such further audit and prepare such further statements and make such further reports as such auditor may think advisable or as the executive committee may direct. Idem.

No warning or notice shall in any way be given of any audit other than that of the permanent date. No warning of audit.

General or special audit.

5. The executive committee of a stock exchange may at any time require any brokers' auditor to make any general or special audit or report upon the whole or any aspect of the business or affairs of any person or company who or which is or has been a member of or in any way represented upon the exchange.

Powers of broker's auditor.

6. The brokers' auditor, for the purpose of any audit under the provisions of this section, shall be entitled to free access to the books of account, securities, cash, documents, bank accounts, vouchers, correspondence and records of every description of the person or company whose affairs are being audited, and any person or company withholding, destroying, concealing or refusing to give any information or thing, reasonably required by the auditor for the purpose of his audit, shall be guilty of an offence.

Statement and report.

7. The brokers' auditor during or upon the completion of every audit under the provisions of this section shall send a copy of every statement and report whether interim or final to the executive committee, and shall in addition specially report to such committee any particular information which may be required under the by-laws, rules or regulations of the exchange and any further information which the brokers' auditor deems it to be in the public interest so to report.

Examination.

8. Any person designated in writing by an executive committee may examine under oath any member of the exchange or any officer of any company represented thereon, or any associate or employee of any such person or company, upon any matter arising out of any report of a brokers' auditor, and for the purposes of such inquiry the person so designated shall have all the powers conferred upon a representative of the Attorney-General under section 10 of this act.

Alterations, etc., of book-keeping, etc.

9. An executive committee may, in writing, require any person or company, whose affairs have been audited or are being audited, to alter, supplement or replace any system of book or record keeping and to comply with any requirement of such executive committee.

Offence.

10. Failure by any person or company, a member of or represented upon any stock exchange, to comply with any requirement of the executive committee or of any person designated by it under subsection 8 hereof, shall constitute an offence and shall entitle the executive committee to suspend such person or member representing such company for such period as the said committee shall determine.

Suspension.

**"22.** Every broker who is not a member of a stock exchange or who is not represented upon such stock exchange must, at least once a year, file with the Registrar a financial statement executed in duplicate by an accountant, at the expense of such broker, and prepared in the manner determined by the Registrar and certified, as to its correctness, by the broker himself or two of his partners in the case of a commercial partnership, or by two directors in the case of a company. Furthermore, such broker must file with the Registrar, at any time, any additional financial statement that such Registrar may require.

"PART V

*"Regulation of Brokerage Trading*

**"23.** Whenever a person, or a member or employee of a partnership, or a director, officer or employee of a company, while he, or the partnership or company is employed as a broker by any customer to buy and carry upon margin any securities of any incorporated or unincorporated company or undertaking either in Canada or elsewhere, sells, or causes to be sold, securities of the same company or undertaking for any account in which

- a. he, or
- b. his firm or a partner thereof, or
- c. the company or a director thereof,

has a direct or indirect interest, and when the effect of such sale shall be to reduce the amount of such securities in the hands of the broker or under his control in the ordinary course of business below the amount of such securities which he should be carrying for all his customers, the purchase contract of any customer shall at the option of such customer be void, and the customer may recover from the broker all moneys paid with interest thereon and the securities deposited as security or otherwise.

The broker shall in addition be guilty of an offence.

The customer may exercise such option by a registered letter to that effect addressed to the broker in conformity with the provisions of subsection 2 of section 5 of this act.

**"24.** Every broker who has acted as agent for a customer shall, without delay, send or deliver to each customer for whom any security has been bought or sold by the broker a written confirmation of the transaction setting forth:

- a. The quantity and description of the security;

- b. The name of the person or company from, to or through whom or which the security was bought or sold;
- c. The day, and, in the case of a member of a stock exchange, the half hours between which, and the name of the stock exchange upon which, the transaction took place.

Offence. The failure, without reasonable excuse, to comply with the provisions of this section shall constitute an offence.

Record to be kept. **"25.** Every stock exchange shall keep a record showing the time at which each transaction on such exchange took place and shall supply to any customer of any member of such exchange, upon production of any written confirmation of any transaction with any such member, particulars of the time at which such transaction took place and a certificate establishing the truth or falsity of the facts mentioned in the confirmation, provided the transaction with respect to which the information is requested shall not have been effected more than two years previously."

Particulars supplied.

Proviso.

Coming into force. **2.** This act shall come into force on the date which it may please the Lieutenant-Governor in Council to fix by proclamation.