

- (B), having decided that such schemes are feasible, and 2. the original promoters having formed limited liability corporations, to lay the stocks of these corporations before British investors. The committee would not recommend or advise the investors: they would simply state that they have enquired into these propositions, and consider that they contain only reasonable business risks.

FURTHER DETAILS OF SCHEME:

The following are further details, which I think should form part of the scheme. I have lettered them as they apply more especially to (A) or (B) :

- (A) i : Business organizers, who come forward with propositions, should pay a fee to the Canadian Institute for enquiring into their propositions. This is to prevent an inundation of unsound schemes from people of no weight.
- (A) ii : The Canadian Institute would instruct engineers, scientists, or other experts to report on such facts as the following:-

IN THE CASE OF A MINE:the probability of finding the mineral in sufficient quantities, the possibilities of working it, of transporting it, to its market, etc.,

IN THE CASE OF AN INDUSTRY:the possibilities of obtaining raw material, power, etc; the possibilities of manufacture under the conditions concerned; etc.

Having received these reports the Institute would then instruct firms of Chartered Accountants to report to it on the financial possibilities of these propositions, that is as to capital outlay, working costs, possibilities of selling at a profit, etc. The Accounting and other experts would all need to work in close touch with each other.

- (B) i: The Canadian Institute would get in touch with groups of financiers in London, to whom it would pass these propositions, which it considered to be sound, together with copies of the reports.
- (B) ii: It would probably be possible to grade the risks, differentiating between those which offer the chance of a large return but at a greater risk, and those which offer a smaller return but which seem to contain comparatively little risk. This would help various classes of investors in the selection of their investment.
- (B) iii: In submitting the propositions to the London financiers, the Canadian Institute would use some printed form which would make it clear, that "whilst not accepting any responsibility as to their success and not recommending or advising in any way, the Institute has made reasonable enquiry into them, and, in consequence of the reports attached, considers them to be sound financially". This would have to be very carefully worded so as to make it clear that the Institute gave no guarantee and undertook no liability, whilst at the same time not frightening off the investors.