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## TRUST COMPANY LEGISLATION

The summaries sent out from Ottawa of the new legislation by which it is proposed to regulate trust companies more strictly indicate that it is the intention of the Dominion Government to make sweeping changes in the existing law. Among the various provisions contained in the new bill is, for instance, one that a company's own funds must be invested principally in government and municipal securities, bonds and first mortgages on real estate. Holdings of stocks are limited to twenty-five per cent. of the paid-up capital. Real estate for the company's own use must not exceed in value forty per cent. of the paid-up capital. It is provided that the company's own funds and its trust accounts must be kept distinct and separate from each other. Provision is made for audit and returns must be made to the Finance Department showing all investments in detail. A further provision is that the liabilities of a company both direct and by way of guarantee must not exceed five times the paid-up capital.

The form of this legislation is a general act to which will be attached a model bill, under the provisions of which trust companies organised in the future will have to be incorporated. It will be seen from the summary of provisions that the regulations proposed are of a drastic character. Whether objection can be taken to some of them remains to be seen when the full details of the bill are available and an explanation of its scope and intention has been given by Hon. W. T. White, the minister who is in charge of it. But as to the necessity on general principles of legislation of this kind, there will be, we believe, general agreement among conservative business men. Within recent years and more particularly perhaps in the West, numbers of so-called trust companies have sprung up which were, in fact, merely organisations floated to take in hand certain speculative ventures in real estate or in other ways. The fact that organisations of this kind were allowed to bear a name which was highly significant in itself and in Canada has been made a title of commercial honour by the leading organisations carrying

on a trust business is an evil, regarding which it may be said that the sooner it is ended the better, both in the interests of the public and of those organisations who are carrying on their business upon entirely legitimate lines.

It is fortunate that the Hon. W. T. White is himself thoroughly *au courant* with trust companies' matters, so that it is not likely that the new legislation will contain provisions which would be likely to be prejudicial to the legitimate business interests of those who are carrying on trust business upon the accepted lines. However, no doubt, should the necessity arise an opportunity will be given to those affected to lay their views before the Government. At this stage it would seem that on the whole the new legislation would be distinctly to the advantage of the leading trust organisations, whose position would be strengthened against illegitimate competition by the improper use of the title "trust company." At the same time the clearing of the field of those organisations which are unable to comply with the requirements of the Act will leave those companies who do so comply in a better position for the public to appreciate both the strength of their position and the important services which they render. Since in the Canadian financial world, the trust companies' functions are of so important a character, it is reasonable both to make the regulations under which they carry on their business of a strict character and to refuse to allow organisations whose business is certainly not of a trust character to assume a title to which they have no right. The legislation regarding loan companies which has also been promised by the Government will, it is said, follow somewhat the same lines as that for the control of trust companies. The leading loan organizations, those whose names and high reputation are known throughout Canada, have nothing to fear from reasonable action of this kind, and the principle of more strict control may be welcomed. Perhaps when the Government has disposed of these matters it will turn its attention to the Companies Act, which more than anything else in the way of financial legislation wants overhauling and thoroughly remodeling.