

fraudulent representation. That is quite true, and if those provisions of the Code were enforced some of the evils would be met. The fact, however, would still remain that the offence must be committed before the Code can be put in motion. There is also the further difficulty of obtaining evidence in cases of fraudulent misrepresentation; for example: the promoter employs an agent; the agent makes a certain representation and sells stock on the faith of it; the representation is untrue. Upon a prosecution, the agent denies making the representation and the promoter denies authorising him to make it; result, none. Nor must it be forgotten that dishonest promoters or salesmen seldom wait quietly for the service of a summons which may result in a heavy fine or imprisonment. Such legislation would seem to be not even a deterrent.

The more common form of Blue Sky legislation is the regulatory type, which is in force in the large majority of the States and in three of our own Provinces. Under it all securities must be passed upon by a Commissioner or Board before they may be sold, and a certificate is issued authorizing their sale. This certificate may be revoked upon evidence being shown of fraud. It is, however, largely used as a convincing argument to the would-be purchaser that the securities have not only the endorsement but have actually the guarantee of the State, and the certificate thereby becomes an agent of positive fraud.

Under the majority of regulatory Acts certain securities are exempt from the operation of the Act. These comprise such securities as, from their inherent nature, do not pre-suppose fraud. Some States have a very wide list of exemptions which they justify on the ground that legitimate business is thereby hampered as little as possible, while, at the same time, most of the crooked transactions are covered. Be that as it may, the principle of having exempted securities is undoubtedly growing in favour. An attempt is now being made in the United States Congress, with very great prospects of success, to have a list of exemptions which it is expected will be adopted by the various States. This would simplify the work of financial institutions and brokers in the same way as the work of insurance companies has been simplified by the Statutory Fire Conditions,