

diluted shares which, of late, have been a source of trouble, and have meant the loss of a great amount of money to our people. I understood the Secretary of State to say that the purpose behind the bill was to try to prevent the operation known as the watering of stock, and to give the people a chance to know the real value of what they are buying, thereby preventing abuses which have existed in the past. As we proceed I should like the Secretary of State to explain in detail how the amendments he will introduce will give the desired result.

Mr. CAHAN: I believe we would do well to discuss in their turn the clauses to which the hon. member has referred. He will find, first, that the statements which companies are compelled to make to their shareholders are much more detailed and stringent than they have been under any previous act. Respecting the issue of prospectuses shares must be issued and sold under the representations made in the prospectus issued by the company or its underwriters. The provisions for disclosing information are very much more specific and stringent than in any act in any British country with which I am familiar. Therefore I think the hon. member might reserve his question, because another hon. member opposite has given notice to me that he will ask to have those provisions stand, for the present, for the purposes of further discussion.

Section agreed to.

Sections 42, 43 and 44 agreed to.

Section 45 stands.

On section 46—Executors, etc., not personally liable.

Mr. HANSON (York-Sunbury): In regard to this section may I suggest that for the purposes of clarification the word "any" should be inserted before the word "such" in line thirty-four. I so move.

Mr. CAHAN: I have no objection to the amendment. The words "executor, administrator, tutor" and so on are mentioned in the alternative. The matter was discussed, and we were under the impression that the expression "such capacity" referred to the particular capacity in which the person acted, namely either as executor, administrator, tutor, or any other capacity indicated in the section. However if the hon. member thinks that the word "any" clarifies the section, I have no objection. Personally I do not think it clarifies it.

Amendment agreed to.

Section as amended agreed to.

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On section 47—Mortgagee not personally liable.

Mr. HANSON (York-Sunbury): I would ask what is the necessity for the use of the word "collateral" before the word "security" in line 44. That is a limiting phrase.

Mr. CAHAN: The word "collateral" was not introduced by me. It has been used in the Companies Act, and specific definitions have been given by the courts of the word "collateral." The term "collateral security" is thoroughly defined I think in law and in fact, and after a very lengthy consideration we decided to retain that phrase. There was one advocate who objected to the change, and I have no doubt that he has instructed my hon. friend in regard to the matter, but I cannot accept his view because collateral security is a term clearly defined and clearly understood.

Section agreed to.

Section 48 stands.

Section 49 agreed to.

On section 50—Addition to name of company of "and reduced."

Mr. BUTCHER: Why the change in subsection 2? It seems to me that subsection 62 of the present act affords greater protection for creditors than does this amended section.

Mr. CAHAN: The old subsection 2 read as follows:

(2) Where the reduction does not involve either the diminution of any liability in respect of unpaid share capital or the payment to any shareholder of any paid-up share capital, the Secretary of State may, if he thinks expedient, dispense altogether with the addition of the words "and reduced."

The words "and reduced" were formerly used for the protection of the creditors of the company but my hon. friend will notice that where there is no diminution of any liability in respect of unpaid share capital the creditor is protected, and where there is no re-payment to any shareholder of any paid-up share capital the creditor is protected. The company has the same assets as before, and in such cases it has always been the practice of the department not to insert the words "and reduced," because the creditors have exactly the same security for its debts and liabilities due to them as they had before the reduction of capital. But these are the only excepted cases, and we have made a short exception which certainly covers the cases in which the Secretary of State has discretion to dispense with the words "and reduced." We have in the practice of the