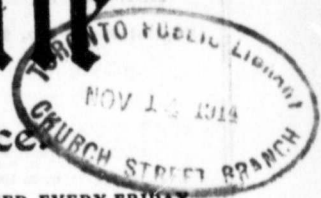


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REVISION OF THE DOMINION COMPANIES' LAW.

A year ago it was generally understood that the Dominion Government intended to follow up their banking and trust company legislation by a revision of the existing companies' law of the Dominion. In the interval, however, no apparent move has been made towards the performance of a legislative service which is a pressing necessity. The matter is made the more urgent through the Privy Council's recent decision in the John Deere Plow case, one effect of which evidently will be to increase the number of Dominion incorporations and to diminish correspondingly the number of companies incorporated by the various provinces. The present Dominion company law is an antiquated and easy-going piece of legislation that is entirely out of touch with present-day requirements, and its drastic revision along modern lines is required not only as a safeguard against fraudulent promotions and the methods of the too-clever financier, but also in order to show financial interests abroad that the Canadian Government is prepared to protect so far as possible the interests of investors who send their capital to Canada—a determination which under present circumstances is by no means obvious.

Any revision of the existing companies' law, in order to meet present-day requirements must provide for a considerably greater measure of publicity on the part of corporations who appeal to the public for capital to carry on their operations and whose securities are subsequently generally dealt in on the stock exchanges. The lack of information on vital points in the public prospectus of the average Canadian company at the present time is almost a joke. Again, the directors of a corporation whose shares are widely held by the public and actively traded in on the local stock exchanges need not give any information at all to the public regarding their finances beyond the hasty reading out of such figures as it is considered necessary to reveal at the shareholders' annual meetings. It is true that this practice is less prevalent at the present time than formerly, but in any event the publication of an annual financial statement in such a form that there can be obtained from it the essential facts regarding a corporation's financial standing and its earning capacity should be insisted upon by law. Again, radical reform is required in regard to compulsory annual

returns to the Government of directors, shareholders, and annual accounts, available as in England to the inspection of the interested public on the payment of a fee.

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This important question of more information should not prove to be a matter of great difficulty. It is otherwise with the thorny subject of over-capitalisation. But it is clear, after the Canadian experience of recent years, that no revision of the Dominion companies' law will be worthy of the name, which does not attempt to grapple with this matter. Over capitalisation has done an immense amount of harm to Canadian credit abroad in recent years. The practice, legitimate up to a point, of capitalisation of good-will and future earning power has been carried beyond all bounds, with the result in cases which have become lately unpleasantly numerous that enterprises have been given insufficient working capital and this has had to be subsequently arranged for on terms which are burdensome, or a receiver has had to be appointed and a re-organisation taken in hand. It is not to be supposed that any new legislation, however drastic, will have the effect of putting an entire stop to this or the related practice of taking over existing undertakings or other assets at ludicrously inflated prices. But it should hardly be beyond the powers of the Government to devise ways and means by which activities of this kind can to a certain extent be circumscribed.

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A further matter, brought into prominence by some recent happenings, is the question of the responsibility of directors. Directors who do not direct have been contributory causes of more than one recent downfall. Now checks are urgently required here in order that directors may realise their responsibilities. A thorough revision of the Dominion companies' law would be particularly valuable at the present time in view of the many appeals which are certain to be made at the conclusion of the war for British capital to continue the work of development and production in Canada. It will be of enormous advantage to those borrowing in the London market in the future—particularly industrial corporations—if they can show that their operations are being carried on in compliance with a strict companies' law efficiently administered. From this point of view, the gain that would result to Canada from an early and thorough revision of the Dominion companies' law would be inestimable.