

No. 111

3rd Session, 15th Legislature, Alberta
14 Elizabeth II

BILL 111

A Bill to amend The Trust Companies Act, 1960

HON. MR. HOLOWACH

Explanatory Note

1. This Bill will amend chapter 110 of the Statutes of Alberta, 1960.

2. Section 10 presently reads:

10. As soon as not less than two hundred and fifty thousand dollars of the capital stock have been bona fide subscribed by at least twenty-five subscribers for the shares of the company, the provisional directors may call a general meeting of the shareholders, herein called the "statutory meeting", to be held at the place named in the Act of incorporation as the head office of the company.

3. Section 14, subsection (1), clauses (b) and (d) presently read:

14. (1) No application for registration shall be made under this Act and no registration shall be made until it has been shown to the satisfaction of the Minister by affidavit or otherwise that

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- (b) not less than two hundred and fifty thousand dollars of capital stock have been bona fide subscribed and paid in cash,
.....
 - (d) the company has at its credit in a chartered bank or treasury branch a sum not less than two hundred and fifty thousand dollars paid in by shareholders on account of their subscriptions in excess of any and all liabilities of the company in connection with or arising out of the incorporation, procuring of subscriptions, organization or otherwise,

4. Section 54, subsection (2) presently reads:

(2) The directors may at any time by by-law provide for the decrease of the capital stock to any amount, not less than two hundred and fifty thousand dollars, that they may consider sufficient.

5. Section 61, subsections (1) and (3), and subsection (10), clauses (a) and (d) presently read:

61. (1) The accounts of a registered trust company shall be examined at least once in every year and the correctness of the balance sheet shall be ascertained by two or more auditors or a firm of chartered accountants.

(3) The auditors may be shareholders in the company, but no person is eligible as an auditor who is interested otherwise than as a shareholder in any transaction of the company, and no director, officer or employee of the company is eligible during his continuance in office.

(10) The auditors shall make a report to the shareholders

- (a) that they have examined the books for the year ending the thirty-first day of December or any day not more than two months prior thereto and have verified the cash, bank balances and securities of the company and stating whether or not their requirements as auditors have been complied with,
.....
- (d) that with their independent opinion so formed and according to the best of their information and the explanations given them they certify that in their opinion the financial statement sets forth fairly and truly the state of the affairs of the company,

BILL

No. 111 of 1966

An Act to amend The Trust Companies Act, 1960

(Assented to _____, 1966)

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of Alberta, enacts as follows:

1. *The Trust Companies Act, 1960* is hereby amended.
2. Section 10 is amended by striking out the words "two hundred and fifty" and by substituting the words "seven hundred and fifty".
3. Section 14, subsection (1) is amended
 - (a) by striking out clause (b) and by substituting the following:
 - (b) not less than seven hundred and fifty thousand dollars of capital stock has been *bona fide* subscribed of which not less than five hundred thousand dollars has been paid in cash,
 - (b) as to clause (d) by striking out the words "two hundred and fifty" and by substituting the words "five hundred".
4. Section 54, subsection (2) is amended by striking out the words "two hundred and fifty" and by substituting the words "seven hundred and fifty".
5. Section 61 is amended
 - (a) by striking out subsection (1) and by substituting the following:

61. (1) The accounts of a registered trust company shall be audited at least once in every year and a report thereon shall be made to the shareholders in accordance with this section.
 - (b) by striking out subsection (3) and by substituting the following:
 - (3) No person is eligible as an auditor
 - (a) who is a shareholder of the company, or

6. Section 62, subsection (1) presently reads:

62. (1) Every company shall at least once in every year cause to be prepared a financial statement of its affairs.

7. Limit on guaranteed funds.

8. Section 70 presently reads:

70. Every company shall at all times maintain cash on hand and on deposit, debentures, bonds, stock or other securities of a kind referred to in subsection (3) of section 131 and loans payable on demand and fully secured by such securities, to an aggregate amount of at least twenty per cent of the amount of money deposited with the company in the manner authorized by subsection (1) of section 66.

- (b) who is interested in any transaction of the company, or
- (c) who is a director, officer or employee of the company.
- (c) as to subsection (10)
 - (i) by adding the following clause after clause (b) :
 - (b1) that their examination includes a general review of the accounting procedures and such tests of accounting records and other supporting evidence as they consider necessary in the circumstances,
 - (ii) as to clause (d) by striking the words "state of the affairs of the company" and by substituting the words "financial position of the company and the results of its operations in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year".

6. Section 62, subsection (1) is amended by adding at the end thereof the words "including a balance sheet, a profit and loss statement, a surplus statement and such other statements as the Registrar may require".

7. The following section is added after section 68:

68a. The total of the sums of money received by a trust company as deposits under section 66 and for guaranteed investments under section 68 shall not exceed such amount as the Lieutenant Governor in Council, in his discretion, determines for the company, not exceeding an amount equal to fifteen times the combined amounts of its unimpaired paid up capital and reserve.

8. (1) Section 70 is struck out and the following is substituted:

- 70.** (1) In this section,
- (a) "demand liability" means the total of
 - (i) the amount of money deposited with a company in the manner authorized by section 66, and
 - (ii) the amount of money received by a company for the purpose of its being invested in the manner authorized by section 68,
 that is withdrawable or repayable in less than one hundred days;
 - (b) "obligations" means notes, bonds or debentures.
- (2) Every trust company shall at all times maintain
- (a) an amount at least equal to ten per cent of its demand liability

9. Section 101, subsection (1) presently reads:

101. (1) The Registrar personally shall visit or cause a duly certified member of his staff or some person authorized by the Registrar to visit at least once annually the head office of each registered company, other than a company as to which he adopts the inspection of another government, and he shall inspect and examine the statements of the condition and affairs of each company and make such inquiries as are necessary to ascertain its condition and ability to provide for the payment of its liabilities as and when they become due, and whether or not it has complied with this Act, and the Registrar shall report thereon to the Minister as to all matters requiring his attention and decision.

- (i) in cash on hand or on deposit with a chartered bank or treasury branch, or
- (ii) invested in obligations of or guaranteed by the Government of Canada maturing in not more than ten years, or
- (iii) in demand loans fully secured by such obligations,
or any combination thereof, and
- (b) a further amount at least equal to five per cent of its demand liability
 - (i) in cash on hand or on deposit with a chartered bank or treasury branch, or
 - (ii) invested in obligations of or guaranteed by the Government of Canada maturing in not more than three years, or
 - (iii) in demand loans fully secured by such obligations,
or in any combination thereof, and
- (c) a further amount at least equal to five per cent of its demand liability
 - (i) in cash on hand or on deposit with a chartered bank or treasury branch, or
 - (ii) invested in obligations of or guaranteed by the Government of Canada or the government of any province, or
 - (iii) in demand loans fully secured by such obligations,
or in any combination thereof.

(2) This section does not apply to a company registered under *The Trust Companies Act, 1960* at the commencement of this Act until the first day of January, 1967.

9. Section 101 is amended by striking out subsection (1) and by substituting the following:

101. (1) From time to time in each year the Registrar or a person authorized by the Registrar for the purpose shall visit the head office of each registered company, other than a company as to which the Registrar adopts the inspection of another government, and he shall

- (a) inspect and examine the statements of the conditions and affairs of each company, and
- (b) make such inquiries as are necessary to ascertain its condition and ability to provide for the payment of its liabilities when they come due and whether or not it has complied with this Act,

and the Registrar shall report thereon to the Minister as to all matters requiring his attention and decision.

10. Section 114 presently reads:

114. No company shall be registered to transact business in Alberta that has not an unimpaired paid-up capital and surplus of at least two hundred and fifty thousand dollars.

11. Section 120, subsection (4) reads:

(4) Where a provincial company is an approved corporation under section 3 of The Trustee Act, it may invest

- (a) any of its paid-up capital in excess of the minimum unimpaired capital required for the company by subclause (i) or (ii), as the case may be, of clause (b) of subsection (5) of section 3 of that Act, and
- (b) any moneys in excess of the reserve fund required for the company under section 3 of that Act,

in such investments as the board of directors of the company may determine.

12. Section 122, clause (a) presently reads:

122. Subject to section 120 a registered trust company may, for the purpose of investing its own funds and moneys received as deposits or for guaranteed investment under sections 66 and 68, purchase or invest in

- (a) mortgages, charges or hypothecs upon real estate in Alberta or elsewhere where the company is carrying on business, but the amount paid for a mortgage, charge or hypothec together with the amount of indebtedness, if any, under any mortgage, charge or hypothec on the real estate ranking superior to the mortgage, charge or hypothec, in which the investment is made shall not exceed two-thirds of the value of the real estate covered thereby,

10. (1) Section 114 is struck out and the following is substituted:

114. No company shall be registered under this Act and no registered trust company shall transact business in Alberta where that company does not have an unimpaired paid-up capital and surplus of at least five hundred thousand dollars.

(2) This section does not apply to a company registered under *The Trust Companies Act, 1960* at the commencement of this section until the first day of January, 1967.

11. (1) Section 120 is amended by striking out subsection (4).

(2) This section does not apply to a company that, at the commencement of this section, is registered under *The Trust Companies Act, 1960* and is an approved corporation under *The Trustee Act*, until the first day of May, 1967 or such later date as may be prescribed by the Lieutenant Governor in Council.

12. Section 122 is amended

(a) by renumbering the section as subsection (1),

(b) as to the renumbered subsection (1) by striking out clause (a) and by substituting the following:

(a) first mortgages, charges or hypothecs upon improved real estate in Alberta or elsewhere where the company is carrying on business, but the amount paid for the mortgage, charge or hypothec shall not exceed three-quarters of the value of the real estate covered thereby,

(c) by adding the following subsection after subsection (1):

(2) In this section "improved real estate" means an estate in fee simple in land

(a) upon which there exists a building, structure or other improvement used or capable of being used for residential, commercial or industrial purposes, or

(b) upon which there is being erected such a building, structure or other improvement, or

(c) which is serviced with the utilities necessary for such a building, structure or other improvement but only when the land is being mortgaged for the purpose of erecting such a building, structure or other improvement, or

(d) which is being used for agricultural purposes, but does not include an estate in fee simple in mines or minerals held separately from the surface.

13. Section 129 presently reads:

129. A company shall not lend or advance money to any of its directors or auditors or to the wife or child of any director or auditor.

14. Section 131, subsection (3) presently reads:

(3) Every company receiving deposits in the manner authorized by subsection (1) of section 66 shall make a return to the Registrar on or before the fifteenth days of January and July in each year, drawn in accordance with the form prescribed by the Registrar, showing the amount of the deposits, and showing the amount of cash on hand and on deposit, and the amount of debentures, bonds, stock or other securities of, or guaranteed by Canada, and of, or guaranteed by, any province of Canada, less any encumbrances thereon, and the amount of bonds, debentures and other securities of any municipal corporation in Alberta or of any city in Canada, less any encumbrances thereon, and the bonds or debentures issued by any company incorporated in Canada in respect of which bonds or debentures annual or semi-annual subsidy payments sufficient to pay both principal and interest thereof are, by virtue of any Act of Canada or of a province thereof, payable by the government of Canada or province thereof to a company as trustee for the holders of such bonds or debentures, and the principal amount of any moneys payable to the company on demand, the payment of which is secured by the mortgage or pledge of any of the securities mentioned in this subsection as the said amounts stood at the end of the last preceding month, and including in such return all such cash and securities and loans as defined in this subsection, whether owned by the company or held by it as deposits or for guaranteed investment under section 66 or 68 and stating that the same were on hand at the date mentioned in the return.

15. Commencement of Act.

13. Section 129 is struck out and the following is substituted:

129. (1) A trust company shall not directly or indirectly lend or advance to or invest money with

- (a) any director, officer or auditor of the company or the spouse, child, parent, brother or sister of any director, officer or auditor of the company, or
- (b) any corporation in which any of the persons referred to in clause (a) directly or indirectly owns any interest whatsoever.

(2) Clause (b) of subsection (1) does not apply with respect to a corporation whose securities are authorized for investment under subsection (1) of section 63 of the *Canadian and British Insurance Companies Act (Canada)*.

14. Section 131 is amended by striking out subsection (3) and by substituting the following:

(3) On or before the last days of January, April, July and October in each year, every trust company shall make a return to the Registrar, in the form prescribed by him, giving such information as at the end of the immediately preceding month as he requires in respect of the requirements of section 70 and stating that the cash and securities required to be maintained by that section were on hand on the date specified in the return.

15. This Act comes into force on the day upon which it is assented to.

No. 111

THIRD SESSION
FIFTEENTH LEGISLATURE
14 ELIZABETH II
1966

BILL

An Act to amend The Trust
Companies Act, 1960

Received and read the

First time

Second time

Third time

HON. MR. HOLOWACH
