



# Prevention of Fraud (Investments) Act 1958

## 1958 CHAPTER 45

### *General Provisions for the Prevention of Fraud*

#### **13 Penalty for fraudulently inducing persons to invest money**

- (1) Any person who, by any statement, promise or forecast which he knows to be misleading, false or deceptive, or by any dishonest concealment of material facts, or by the reckless making of any statement, promise or forecast which is misleading, false or deceptive, induces or attempts to induce another person—
- (a) to enter into or offer to enter into—
    - (i) any agreement for, or with a view to, acquiring, disposing of, subscribing for or underwriting securities or lending or depositing money to or with any industrial and provident society or building society, or
    - (ii) any agreement the purpose or pretended purpose of which is to secure a profit to any of the parties from the yield of securities or by reference to fluctuations in the value of securities, or
  - (b) to acquire or offer to acquire any right or interest under any arrangements the purpose or effect, or pretended purpose or effect, of which is to provide facilities for the participation by persons in profits or income alleged to arise or to be likely to arise from the acquisition, holding, management or disposal of any property other than securities, or
  - (c) to enter into or offer to enter into an agreement the purpose or pretended purpose of which is to secure a profit to any of the parties by reference to fluctuations in the value of any property other than securities,
- shall be guilty of an offence, and liable to imprisonment for a term not exceeding seven years.
- (2) Any person guilty of conspiracy to commit an offence under the preceding subsection shall be punishable as if he had committed such an offence.

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## 14 Restriction on distribution of circulars relating to investments

- (1) Subject to the provisions of this section, no person shall—
- (a) distribute or cause to be distributed any documents which, to his knowledge, are circulars containing—
    - (i) any invitation to persons to do any of the acts mentioned in paragraphs (a) to (c) of subsection (1) of the last preceding section, or
    - (ii) any information calculated to lead directly or indirectly to the doing of any of those acts by the recipient of the information, or
  - (b) have in his possession for the purpose of distribution any documents which, to his knowledge, are such circulars as aforesaid, being documents of such a nature as to show that the object or principal object of distributing them would be to communicate such an invitation or such information as aforesaid.
- (2) The preceding subsection shall not apply—
- (a) in relation to any distribution of a prospectus to which section thirty-eight of the Companies Act, 1948, applies or would apply if not excluded by paragraph (b) of subsection (5) of that section or by section thirty-nine of that Act or section four hundred and seventeen of that Act applies or would apply if not excluded by paragraph (b) of subsection (5) of that section or by section four hundred and eighteen of that Act, or in relation to any distribution of a document relating to securities of a corporation incorporated in Great Britain which is not a registered company, being a document which—
    - (i) would, if the corporation were a registered company, be a prospectus to which the said section thirty-eight applies or would apply if not excluded as aforesaid; and
    - (ii) contains all the matters and is issued with the consents which, by virtue of sections four hundred and seventeen and four hundred and nineteen of that Act it would have to contain and be issued with if the corporation were a company incorporated outside Great Britain and the document were a prospectus issued by that company;
  - (b) in relation to any issue of a form of application for shares in, or debentures of, a corporation, together with—
    - (i) a prospectus which complies with the requirements of section thirty-eight of the Companies Act, 1948, or is not required to comply therewith because excluded by paragraph (b) of subsection (5) of that section or by section thirty-nine of that Act, or complies with the requirements of Part X of that Act relating to prospectuses and is not issued in contravention of section four hundred and nineteen of that Act, or
    - (ii) in the case of a corporation incorporated in Great Britain which is not a registered company, a document containing all the matters and issued with the consents mentioned in sub-paragraph (ii) of paragraph (a) of this subsection,
 or in connection with a bona fide invitation to a person to enter into an underwriting agreement with respect to the shares or debentures, or
  - (c) in relation to any distribution of documents which is required or authorised by or under any Act other than this Act or by or under any enactment of the Parliament of Northern Ireland,
- and shall not apply in relation to any distribution of documents which is permitted by the Board of Trade.

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- (3) This section shall not prohibit the distribution or possession of any document by reason only—
- (a) that it contains an invitation or information—
    - (i) made or given with respect to any securities by or on behalf of a member of any recognised stock exchange or recognised association of dealers in securities, or by or on behalf of the holder of a principal's licence, or
    - (ii) made or given with respect to any securities by or on behalf of the Bank of England or any exempted dealer, or
    - (iii) made or given by or on behalf of a corporation to holders of securities of, or to persons employed by, or to creditors of, that corporation or any other corporation which, in relation to the first-mentioned corporation, is a subsidiary company as defined by section one hundred and fifty-four of the Companies Act, 1948, with respect to securities of the first-mentioned corporation or of any such other corporation as aforesaid, or
    - (iv) made or given by or on behalf of the manager under an authorised unit trust scheme with respect to any securities created in pursuance of that scheme, or
    - (v) made or given by or on behalf of the Government of the United Kingdom or of Northern Ireland or the Government of any country or territory outside the United Kingdom, or by or on behalf of any statutory corporation or municipal corporation, with respect to securities of that Government or corporation, or
    - (vi) made or given by or on behalf of any industrial and provident society or building society with respect to shares of the society, or loans or deposits which may be made to or with the society, or
    - (vii) made or given to beneficiaries under a trust by or on behalf of a person acting in the capacity of a trustee of that trust, or
    - (viii) made or given with respect to any securities in connection only with a sale or proposed sale of those securities by auction, or
  - (b) that it contains an invitation or information which a person whose ordinary business or part of whose ordinary business it is to buy and sell any property other than securities (whether as a principal or as an agent) may make or give in the course of the business of buying and selling such property:

Provided that nothing in paragraph (a) of this subsection shall authorise the doing of anything in respect of securities created in pursuance of any unit trust scheme which is not an authorised unit trust scheme ; and nothing in paragraph (b) of this subsection shall authorise any person to do anything in pursuance of, or for the purpose of, any arrangements the purpose or effect, or pretended purpose or effect, of which is to provide facilities for the participation by persons in profits or income alleged to arise or to be likely to arise from the acquisition, holding, management or disposal of any property other than securities.

- (4) Documents shall not, for the purposes of this section, be deemed not to be circulars by reason only that they are in the form of a newspaper, journal, magazine or other periodical publication ; but a person shall not be taken to contravene this section by reason only that he distributes, or causes to be distributed, to purchasers thereof, or has in his possession for the purpose of distribution to purchasers thereof, copies of any newspaper, journal, magazine or other periodical publication.

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- (5) A person shall not be taken to contravene this section by reason only that he distributes documents to persons whose business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent), or causes documents to be distributed to such persons, or has documents in his possession for the purpose of distribution to such persons.
- (6) Any person who contravenes this section shall be liable, on conviction on indictment, to imprisonment for a term not exceeding two years or to a fine not exceeding five hundred pounds or to both such imprisonment and such fine or, on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding one hundred pounds or to both such imprisonment and such fine.
- (7) Proceedings for an offence under this section shall not, in England or Wales, be instituted except by, or with the consent of, the Board of Trade or the Director of Public Prosecutions:
- Provided that this subsection shall not prevent the arrest, or the issue or execution of a warrant for the arrest, of any person in respect of such an offence, or the remanding, in custody or on bail, of any person charged with such an offence, notwithstanding that the necessary consent to the institution of proceedings for the offence has not been obtained.
- (8) If a justice of the peace is satisfied by information on oath that there is reasonable ground for suspecting that, at any such premises as may be specified in the information, a person has any documents in his possession in contravention of this section, the justice may grant a warrant under his hand empowering any constable to enter the premises, if necessary, by force, at any time or times within one month from the date of the warrant, and to search for, and seize and remove, any documents found therein which he has reasonable ground for believing to be in the possession of a person in contravention of this section.
- (9) Any document seized under this section may be retained for a period of one month or, if within that period there are commenced any proceedings for an offence under this section to which the document is relevant, until the conclusion of those proceedings.
- (10) Where any person is convicted of an offence under this section, the court dealing with the case may make an order authorising the destruction, or the disposal in any other specified manner, of any documents produced to the court which are shown to its satisfaction to be documents in respect of which the offence was committed:
- Provided that an order under this subsection shall not authorise the destruction of a document, or the disposal of a document in any other manner, until the conclusion of the proceedings in the matter of which the order is made.
- (11) Subject to the provisions of the last two preceding subsections, the Police (Property) Act, 1897 (which makes provision with respect to the disposal of property in the possession of the police) shall apply to property which has come into the possession of the police in consequence of a seizure under this section, as it applies to property which has come into the possession of the police in the circumstances mentioned in that Act.