

# The Chronicle

## Banking, Insurance and Finance

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### RE-ORGANISING THE EXCHANGE MARKET.

Final arrangements have just been made whereby the New York bankers are to supply New York City with a credit of about \$100,000,000. Four-fifths of this, or roundly \$80,000,000, will be used to retire the city's notes, held in England and France, which mature from September to January. The bankers headed by J. P. Morgan & Co., undertake to provide exchange for remitting the money to Europe. They will draw their bills, presumably on London, and to cover the bills they will be obliged to part with a considerable amount of gold. As the cash reserves of the New York banks are now far below the legal minimum, it has been necessary to make a special arrangement with the United States Government for provision of the specie. No details have been given as to how the Government assistance is to be rendered; but it is understood that in some manner the maximum of \$150,000,000 gold will be provided for the purpose of meeting American debts overseas and for restoring the foreign exchange mechanism at New York:

### MAINTAINING AMERICAN CREDIT.

The general supposition is that the whole of this amount will not be needed. At present, while no gold is to be had every European holder who has maturing claims against United States cities or corporations, demands payment in gold. When it becomes known that so large a sum of \$150,000,000 is available in gold, probably the demands will slacken or disappear to a certain extent. It seems evident that this will serve to maintain American credit in satisfactory manner; and the maintenance of the national credit, or standing in financial affairs, should prove to be an important factor in equipping the whole of North America for making good use of the extraordinary opportunities presented by the war.

### PROBABLE TRANSFERENCE TO OTTAWA.

Such gold as New York is obliged to part with will, presumably be sent to Ottawa for account of the Bank of England. As the amount transferred may be very large, possibly the Bank of England will find it necessary to ship parts of the deposit to London from time to time. The gold held in Ottawa for the English bank does not, of course, serve to strengthen Canada's position in any way—it is a British asset, carried in Canada temporarily, merely as a matter of convenience. We may not even use it.

### STRENGTHENING THE ALLIES.

A point to be noted is that the measures adopted by the United States bankers for rehabilitating their exchange markets must necessarily serve to strengthen the allies in the war. It will be England and France that get the American gold—none of it, or practically none will go to Germany. The effect will be almost as important as if New York had taken an Anglo-French loan of a large amount. The gold secured from America will enable the Bank of England to greatly expand its liabilities without so much danger of disastrous consequences. As a matter of fact, it will serve as a basis for the great increase of liabilities certain to occur as a result of the bank's prospective action in advancing the London banks the funds necessary to enable them to meet their acceptances. So when the arrangements at New York and London are complete we may expect a considerable improvement in the financial position of Canada.

### IMPROVING CANADIAN POSITION.

Our banks will profit very largely through the loosening up of the situation in acceptances at London. The six Canadian banks having branches in London have had outstanding a considerable amount of acceptances on behalf of clients who cannot meet their obligations because of the war. Now the Bank of England will advance the funds required to meet these acceptances and if necessary will wait for repayment until one year from the end of the war.