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Restrictions on Import of Securities

Financial Firms' Action Taken After Consulting Government—May
be Followed by Restrictions on Import of Commodities—Object is
to Maintain Prices Here—Issue of New Securities May be Controlled

BY an agreement among the Canadian banks, bond dealers, and stock brokers, reached after consultation with the Dominion government, the importation of securities from outside Canada ceased yesterday. There is, of course, no restriction upon margin trading. In an explanatory statement the Bond Dealers' Association says:—

"The bond dealers and stock exchanges have been in conference to-day with regard to the proposal of the minister of finance concerning the importation of securities into Canada, and have reached a decision to grant the minister's request and to co-operate to the fullest extent. The decision has been made necessary by reason of the great quantities of Canadian securities coming over from Britain, which has been financing Canada for the last fifty years. The drop in sterling exchange made it possible to ship these securities to Canada at prices that were very attractive, as compared with other Canadian securities, including Victory bonds.

"The first step taken by the minister of finance was when he realized that, if the market committee was to continue to distribute bonds on the same satisfactory manner as in the past, the prices of those bonds should be brought into line with market conditions. This was done by the reduction in price of Victory bonds; in fact, many people think that these prices, as readjusted, are really lower than they should be.

"The next step was to request the bond houses and stock brokers who have been bringing securities from Great Britain not to continue this activity, and the banks were requested to co-operate in this direction. The members of the Bond Dealers' Association and the Montreal and Toronto Stock Exchanges have all met and, while it means a serious loss of business to the bond houses and also to the stock brokers, all these bodies have agreed to meet the request of the finance minister to the fullest possible extent.

"It is obvious that this embargo will make serious inroads into the business of Canadian financial houses, and it is, therefore, hoped that, while they willingly give their efforts to meet the suggestions of the minister of finance, that conditions will change and that it will not be necessary to long continue these restrictions.

"There is a very strong feeling among the financial people that the restrictions placed upon the imports of securities, can only be justified providing the government follows them up vigorously with similar restrictions against the importation of non-essentials, especially from the United States, where the balance of trade is so heavily against us. It is also a part of the understanding that issues of securities for non-essential purposes in Canada will be discouraged. The actual administration of the plan of the minister of finance, as outlined above, is in the hands of the banks, but in view of the many difficulties involved, it has been arranged that representatives of the stock exchanges and the bond houses will be available for consultation in the working out of the matter in the principal centres."

This action is not, of course, in the form of legislation, or even of orders-in-council, as it is at least doubtful if the

Dominion government has power to issue an order of this kind. It is entirely a voluntary arrangement, entered into by the Bond Dealers Association, the Montreal and Toronto stock exchanges, and the Canadian Bankers' Association. The Bond Dealers' Association includes all the larger firms, and many of the smaller ones. There are still many dealers in bonds and stocks who do not belong to the above-mentioned organizations, but their business is only a small fraction of the total. Moreover, the banks, by refusing to finance any further transactions of this kind, will prevent the majority of these firms from making such purchase, as they usually depend upon bank funds to carry the securities.

C. A. Bogert, who is president of the Canadian Bankers' Association and general manager of the Dominion Bank, said in an interview:—

"The present abnormal British exchange situation lends itself to speculation in Canada in securities held overseas with resultant aggravation of Canadian finances. At the request of the government, in order to minimize and prevent this speculation, bankers will take measures to discourage such transactions until conditions improve, and in co-operation with brokers and bond dealers will use every legitimate means of accomplish the end in view."

In an interview with *The Monetary Times* as to the position of the banks on the question, Henry T. Ross, secretary of the Canadian Bankers' Association, stated, while the banks would carry out any commitments already made, they would not, in accordance with the finance minister's request, assist in further transactions of the kind. He emphasized the fact that the move did not initiate with the bankers, who had merely entered into the arrangement upon request. Mr. Ross also pointed out, however, that there were other considerations than the purely investment side, as the present low rates for Canadian exchange in New York, worked much hardship in necessary business transactions.

While no announcement has been made regarding the bond dealers' suggestion that this action be followed up by restrictions on imports, such restriction is being seriously considered. Our heavy adverse balance with the United States is probably the chief reason for the low quotation of the Canadian dollar in New York. For the twelve months ended December last, we imported \$740,580,225 of goods from that country, and exported \$454,686,294 of goods to it, leaving an adverse balance of \$285,893,931. For 1918 the figures were: Imports, \$741,336,304; exports, \$433,182,149; balance, \$318,154,155, and for 1917, imports, \$829,845,747; exports, \$401,479,287; balance, \$428,366,460.

One objection which has been raised to such an embargo on imports is, that it might lead to raising the prices of similar goods made in Canada. The Board of Commerce is the body here which would have jurisdiction over questions of this kind, but thus far the Board's efforts have not been very successful, and its standing is doubtful, especially in view of the resignation of the chairman, H. A. Robson.