gether. This advice, if adopted, would make the formation of new companies difficult, and it would consequently have an effect in retarding our industrial development. In New York and in London there are great banks and private banking firms making a specialty of promotings and underwritings. Familiar with the usual requirements of this business they arrange their assets in such manner as to enable them to handle big deals without danger or inconvenience; they nearly always have in hand or at call, heavy sums in ready money. To these bankers application is made when funds are wanted to float important new enterprises, or for specially large transactions. They may have the ability to take up an entire deal with their own capital, but they do not figure on doing so. All of them have a wide circle of clients who look to them for investments of a permanent nature. Banks, savings banks, corporations, bond-dealers, capitalists, business men, in search of investments are all the time enquiring for good bonds and stocks. Amongst them the underwriters distribute the securities whose flotations were guaranteed, either by private sale or public subscription. Frequently it happens that large operations are carried through without the underwriters being called upon to use a dollar of their own capital. Notable instances are, the last Japanese loan and the Dominion Coal Co. re-organization.

The Bank of Montreal assisted in the Japanese loan, while the Bank of Montreal and the Bank of Commerce participated in the Dominion Coal deal. We have no great banking firms like the Rothschilds in London, or like the Morgans, Kuhn-Loeb and the Speyers in New York; neither have we big banks which confine their operations pretty exclusively to financial business, like the National City, the First National, the National Bank of Commerce in New York, like one or two of the big London banks, and like the big German and French bank branches in London. If the business is to be done in the Dominion it has to be done by our commercial banks, either by direct underwriting or by making loans to Canadian capitalists who underwrite.

Conducted prudently, along proper lines, there seem no very serious objections to our banks going in for a moderate amount of underwriting. The first requisite, of course, is a large cash balance. The amount of cash proposed to be used in this way should be distinct from the ordinary reserve against deposits and outstanding notes, so that there will be no temptation to lock that up in unrealizable shape. If a bank decides to do underwriting it is proper that this extra cash capital required should be contributed by its stockholders through new stock issues, it would be highly improper to draw it away from the business public through the liquidation of mercantile discounts.

One of the peculiar dangers of the business lies in the fact that an institution may start with ample cash and in a very short time be heavily loaded. Those who are experienced have learned to scan carefully the nature of the securities they underwrite; to study the temper and condition of the investment market; to curb their desire for big profits. They avoid securities which have not a ready market. Certain classes of bonds are in steady demand year in and year out. All underwriters who, like bankers, have heavy liabilities payable at the whim of thousands of creditors, will do well to confine their underwritings to marketable bonds. They will do well also, in public subscription loans, not to calculate too confidently on the amount of the subscriptions. More than once it has happened that bankers have underwritten much larger sums than they could conveniently assume, under a mistaken confidence that the public would take nearly the whole issue. The only safe plan is to underwrite nothing but what can be taken up without inconvenience even if the public response should be flatly disappointing. A case in point is the recent $100,000,000 bond issue by the Pennsylvania Railroad. The stockholders were offered the right to take the bonds, which were 3½ per cent. with privilege of conversion into stock at 150, at par. As the stock sold at about 140 when the lists closed the response from the stockholders was poor—they only taking 10 p.c. or $10,000,000. The Wall Street Journal says the underwriters, Kuhu Loeb & Co., not relying much on stockholders' subscriptions, made their arrangements from the first to take up the bulk of the loan. They look for their profit to come from appreciation in the market price of Pennsylvania stock. In the course of a year or possibly a little more, they expect that the stock will be enough above 150 to make conversion profitable. But in the meantime they have the bonds to carry.

FIRE WASTE, FIRE PROTECTION AND FIRE INSURANCE.

In the last number of the "Canadian Bankers' Association Journal," April, 1905, is an article on "Fire Waste, Fire Protection and Fire Insurance" by Mr. Morrisey. The extent of the "fearful drain upon the country's resources" caused by fires in Canada is stated to be about $10,000,000 annually. To emphasize this the writer says, "It forms a very considerable percentage of the profits on the country's trade; it is, roughly, equal to one-fourth of the customs duties on imports, about two-thirds its coal production, one-half its gold production, two-fifths the value of our fisheries, and one-fourth the value of our exports of forest products. Were this sum saved it would build the new transcontinental railway and pay for it during its construction, and it is