date paper. Upon good names and satisfactory rates of interest, the big European banks would be ready to advance an ample sum. The congestion in Europe applies particularly to newly issued securities. However, with a rising stock market and crop financing both in evidence it is likely that call loan interest rates in New York would get several points above the present quotations.

Call loans in Montreal are 5 p.c. and in Toronto 5½ as heretofore. The banking preparations for handling the Western crops are practically complete. Since the end of July large additional amounts of the new Government $5 bills have been put into circulation and it is to be expected that by the end of August the total will have risen to very respectable figures. With the coming of September the extra issue power of the banks is available. Rumors to the effect that the Canadian Light & Power interests have been carrying on an aggressive campaign for control of the Montreal Light, Heat & Power Company have perplexed the street this week and last. But the disposition is to take them not too seriously until the evidences are more clearly visible. Some of the more optimistic speculators were disappointed that the C. P. R. directors had no announcements to make, after Monday's meeting, regarding a new stock issue. But those who know the management of the company did not expect that Sir Thomas Shaughnessy and his colleagues would allow themselves to be hurried or hustled by the too importunate speculative cliques. As it is, an official notice has since been issued that on October 2, there will be a special meeting of shareholders to authorise an increase of $60,000,000 in the common stock.

HOW THE ROYAL BANK'S ISSUE POWER IS AFFECTED BY THE MERGER.

Attention has been drawn on several occasions to the fact that the going into effect of the Royal-Traders consolidation will tend to decrease the note issuing power of the Canadian banks. The Royal Bank's stock goes into the consolidation at 240, while Traders' stock goes in at 180. At the end of June the paid-up capital of the latter bank had been brought to the amount of $4,480,000 to facilitate the conversion of the stock. Thus $4,480,000 Traders Bank stock at 180 per cent. has a value of $8,064,000 for consolidation purposes. At the fixed rate of 240 per cent. this $8,064,000 worth of Traders' stock requires the issue of $3,360,000 Royal Bank stock.

According to the figures appearing in the June bank statement the ordinary tax free issue power of the two banks was $12,387,790—Royal, $7,907,790, and Traders, $4,480,000. The two banks actually had outstanding at the end of the month $11,297,141—Royal, $7,262,464, and Traders, $4,034,677. The maximum amount of Royal Bank circulation outstanding at any one day in June is given as $7,569,632 and the maximum for the Traders as $4,043,453. So, if it happened that both banks reached the maximum on the same day the high point of the combined circulations would be $11,613,085, or a matter of about $775,000 less than the combined authorized circulation.

After the consolidation is effected, assuming that no increase takes place meanwhile in the Royal's paid-up capital, the authorized ordinary issue power of the consolidated bank will be $7,907,790 (the Royal's capital as at present) plus $3,360,000 (the increase necessitated by the purchase of Traders' stock), or $11,267,790 in all. If the banks' circulation during July and August remains at the level obtaining at the end of June, the consolidated bank would have to contract its issues perhaps by half a million dollars or more immediately on taking possession of the Traders' business providing it does not have recourse to the excess issues. And if, as seems highly probable, the note issues of the two banks rise approximately to the legal limits during July and August, the Royal will require upon consolidation to reduce its outstanding notes by a million dollars or more in order to keep within the limits of the ordinary issue power.

However, a contraction of the note issues of the consolidated bank will not be forced upon it. Quite probably the bank officials selected September 1st as the date for the going into effect of the consolidation, for one reason because the excess issue rights become available then. No doubt it was necessary to give the clerical forces of the two banks several months' time to prepare and complete the work incidental to consolidation. And perhaps it would not have been easy to advance the date of consolidation to any great extent. But it is reasonable to suppose that the Royal officials considered that the transfer of issue power could be effected with the minimum of risk when the season of the excess issues had been entered.

By taking advantage of the extra power the consolidated bank need not contract the circulation at all. Suppose that at consolidation the Royal finds itself responsible for note issues amounting to $12,300,000—approximately the sum of the authorized circulations of the two banks as separate concerns. After consolidation the ordinary issues power would be $11,267,790. So, at once, without having increased its issues, the bank would have an excess issue, subject to tax, of $1,002,210. During the six months from 31st August to 1st March, the hardship under which the bank would be, is the transfer of about $1,120,000 of circulation from the free to the taxed column. If this amount of circulation were in use uninterruptedly for the period of six months, the tax payable by the bank would amount to $28,000, which sum is an important consideration even for a big bank.

The liability to this tax would have a tendency to cause the bank to endeavor to work up its discount rates wherever that could be done. And, of course, after the season of the extra issues expired—on 1st March—the bank would then have to contract its issues until they came within the bounds of its paid-up capital.

So far as the extra right of issue is concerned the consolidation would have the following effect. As at June 30th, the Royal had capital $7,907,790 and rest $8,878,569. Acquisition of the Traders will call for the issue of $3,360,000 new stock at 240. The total amount available for crediting capital and rest would be $8,064,000. Of this total $3,360,000 are to be credited to capital paid, making it $11,267,790, and $4,704,000 must be credited to rest, making it $13,582,569. Combined capital and