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MONTREAL, SATURDAY, AUGUST 29, 1914.

## To Arms

Canada has been and still desires to be, a land of peace. But peace is denied us. The statesmen of the motherland did everything that honor would permit to prevent war. But war has come in its most dreadful form. Let no one disguise from himself, or herself, the gravity of the occasion. It is no child's play to engage in war with such nations as Germany and Austria-Hungary. Millions of soldiers, following the flags of the Emperor William and Francis Joseph, will fight desperately for their cause. Britain and her Allies will, in the end, triumph. Of that let us never doubt. But that triumph will come only after a tremendous struggle and enormous sacrifice of blood and treasure. Not every battle will be won by our forces. Reverses must be expected. Already some have come. They but point out to all the need for further effort to maintain what nearly all the world admits is the right. England is raising larger forces. Canada must do likewise. Lord Kitchener's appeal will find response in Canada, as well as at home. Our military authorities must prepare for further work. More thousands of our young men must be enrolled. The Canadian people must be ready for further effort and greater sacrifice.

## Neutrality and the Alabama

It is now well settled that a neutral may not permit a belligerent either to arm vessels or issue commissions within the neutral jurisdiction, but it is not so clear as to whether the neutral may supply arms and military equipment to belligerents. It is generally accepted that a neutral state cannot properly make such sales and the Swedish Government acted on this principle in 1825, and cancelled at the request of Spain the sale of six warships which had been purchased on behalf of the Mexican insurgents. It seems a different rule is applied to neutral individuals whose business it is to trade in arms which become contraband and liable to seizure. There has been much discussion as to whether, if a government is not bound to prevent its subjects from supplying guns to belligerents it may allow the building and sale of an armed vessel under the same circumstances. On principle the cases are hardly distinguishable. The difficulty in particular cases is to decide whether the vessel amounts to an "expedition" which should be prevented or is merely contraband. The distinction was discussed in connection with the notorious Alabama. As is well known, this vessel, evidently intended for war, was launched at Liverpool on May 15, 1862. The United States minister demanded the arrest of the Alabama, but the British Government decided that a ship is prima facie innocent merchandise, and that the neutral state was only bound to see that at the time of leaving the vessel is "incapable of attack and defence," and that the armament may follow separately from a different part of the neutral territory without a violation of neutrality provided the armament is not placed on the vessel until the zone is crossed. The Alabama then left for the Azores, where she met the Bahama and the Arrippina, also from England, and from these ships the Alabama received men and military supplies, but without the knowledge of the British authorities. The Alabama received a commission as a Confederate cruiser, and the damage done to the enemy by her is well known. The facts in connection with the Florida were very similar.

The United States were awarded by the arbitrators who sat at Geneva the sum of \$15,000,000. The English view is that the rules adopted by the arbitrators were vague and general, and the whole question turned on the question as to what is "due diligence," the phrase having been used by the arbitrators as if there was an accepted standard. English authorities on International Law favor the view that "a vessel may, without illegality, be built, armed, and transferred to a belligerent within the territory if it is neither commissioned nor ready for immediate hostilities."

Italy, Austria, Spain and Denmark forbid the equipment of armed vessels for a belligerent.

## Financial Effects of the War

The ordinary machinery of the world's exchanges has operated in the past in London. The bill drawn on London had come to be a sort of international currency, and when drawn on a reputable banking house was as good as gold. Not only did England furnish the international currency of the world, but she also supplied capital to her colonies, and to every growing nation.

The possessions of Great Britain are world-wide, and all of them have depended for their prosperity upon the London money market, and the capital investments of the United Kingdom for their prosperity. For the next year the savings of the British people will be absorbed by war loans. Consequently, Canada, Australia, South Africa, India and other British possessions will be forced to rely upon their own resources, and to solve the problems of diminished trade, and shrinking exports without the help of English money for railroads and public works. Canada will be obliged to find from its own income \$10,000,000 per month as interest on British investments.

About a quarter of British trade is with the Baltic and the North Sea. Exports to Germany alone last year were valued at \$300,000,000. Besides what the London market has been doing for the colonies, it has financed, together with French and German capitalists, great undertakings in foreign countries—in the United States, Argentina, Brazil, Chile, China and Japan, and many other countries. Very serious results have, therefore, followed the declaration of war in those nations that have depended upon British and European capital to maintain their prosperity. For example, a moratorium has been es-

tablished in Argentina, the Brazil Government has defaulted, and a state of war has been declared in Egypt. Japan, already overladen with debt and taxes, has now entered the struggle, and has attacked German possessions in China. England, however, has stood up remarkably well under the strain. There is as yet very little unemployment. The East Coast has felt the pinch most. The fishing industries of Grimsby, Aberdeen and Hull, which provide the United Kingdom with the great part of its fish supplies, are almost at a standstill. The Admiralty has requisitioned about fifty-two trawlers for mine-sweeping work in the North Sea. Although it is highly dangerous, the fishermen are glad of this chance to find employment.

Unemployment, however, is beginning to make itself felt among the Lancashire cotton operatives. The embargo on coal exports (except to Italy and Norway), has thrown many miners out of employment. At Jarrow blast furnaces are being closed down, and steel works and rolling mills are being closed down. Armament factories, are, of course, busy. Notwithstanding this slowing down of British trade and industry, the British people, as is their wont, are becoming more resolute as the days go by. In comparison with her enemies, the United Kingdom is in a wonderfully strong position. The foreign trade of Germany and Austria is absolutely ruined. In addition, some four million men have been withdrawn from productive operations in Germany, and about 2,000,000 men in Austria. The backbone of the Prussian army is made up of agricultural laborers. It is true that the women of Germany, in the peasant class, are accustomed to agricultural labour, and are good field workers. Yet there is certain work on the farm which they have not done, and are not strong enough to do. Should the war last another year, the great spectre of famine will stalk abroad in the Fatherland. Therefore, all things considered, and not neglecting the financial resources of the powers concerned, it will be seen that should the outcome of this war turn on strength and tenacity of purpose, England and France, aided by Russia, must win. At the same time, we must be prepared for economic sacrifices. Canada has now a golden opportunity to place herself in the producing class, and begin the discharge of her interest obligations. This she would be obliged to do in the near future, at any rate; and it may be just as well, in the end, that we have been now thrown on our own resources and compelled to show the world that we are able to meet the crisis with calmness and courage. We are of the British breed; let us show our enemies that we have the British qualities of daring, tenacity and pluck.

## The Chesapeake

The capture of the Chesapeake of Sambre Harbor, Nova Scotia, in 1863, by an American man-of-war, illustrates the rule that "neutral states are both entitled and bound to demand that the belligerents shall abstain from hostilities in their territory or their territorial waters," and the legality of the act was not claimed in reply to the English complaint.

If appearances and previous experience count for anything, the Princess Patricia Light Infantry will give as good an account of themselves as did the Strathcona Horse in the Boer War.

The indomitable spirit of the British is shown by the great cry coming up from all parts of the country that Germany must be conquered no matter if they should take Paris. The determination of the British in this matter recalls the story told of the old Highland lady in Zorra, at the time of the Fenian Raid, who remarked, "The Fenians may tak' Toronto, and may tak' Hamilton, but they'll no tak' Zorra." The Germans may take Paris, but they will not win out.

Every country in the world not at war is showing a disposition to bestir themselves and secure a portion of the trade the warring nations possess, especially the trade of Germany. Canada should get busy, and see what she can capture from the Germans.

It is about time that Canadians were getting wise to the national wisdom that lay behind the "made in Germany" philosophy. The Americans are not neglecting the opportunity. Mr. Charles A. Whelan, the president of the United Cigar Stores, is having the following sign placed conspicuously in all that concern's places of business: "The way to put every unemployed worker to work—BUY GOODS MADE IN AMERICA."

## "A LITTLE NONSENSE NOW AND THEN"

"Venus de Milo is in the Louvre's vaults, for fear of airship bombs." Naturally, being unnamed.—Wall Street Journal.

"He looks like a fool."  
"But, papa, he has asked me to marry him."  
"He has? Well, don't you ever tell me I can't size up people."—Houston Post.

"There's no use talking, Brown never will keep up with the times."

"What's the trouble now?"  
"He dropped in for a visit a little while ago and the first thing he asked me was what I thought of the Mexican situation."—Detroit Free Press.

"She is having a perfectly lovely time."

"How so?"  
"She is engaged to one of twins. They both call on her, and she can't tell them apart."—Kansas City Journal.

Patience—When an English suffragette backs a picture in one of the galleries, why is it always one of a beautiful woman?  
Patience—Because she dares to see another woman admired, is my guess.—Yonkers Statesman.

Germany is "hitting the line hard"—and fouls go when you make your own rules.—Wall Street Journal.

"I don't know, unless they split up the ship's log and burn that."—Boston Herald.

"He is not rich as wealth is measured to-day."  
"Measured, eh?" murmured an elderly philosopher. "I guess that's a modern term. They used to count the money in the old days."—London Telegraph.

It is said that German government has issued circulars calling on people to economize their supplies of petroleum gasoline and eggs.

## IN THE LIMELIGHT

A Series of Short Sketches of Prominent Canadians.  
THE FEDERAL RESERVE SYSTEM.  
(Number Thirty-three in a Series of Short Articles on Business Economics. By Prof. W. W. Swanson.)

It will be recalled that the Federal Reserve Act provides for the formation of twelve districts or regions, in the United States, each district to have its federal reserve bank which is to be the bankers' bank of its community. These districts, together with the number of national banks in each, and their combined resources, are as follows (June 30, 1914):

District	No. of Banks	Resources
District 1 (Boston) . . . . .	441	\$390,170,805
District 2 (New York) . . . . .	481	2,592,573,089
District 3 (Philadelphia) . . . . .	756	1,245,921,250
District 4 (Cleveland) . . . . .	769	1,180,491,158
District 5 (Richmond) . . . . .	481	600,172,055
District 6 (Atlanta) . . . . .	378	302,274,043
District 7 (Chicago) . . . . .	988	1,525,953,888
District 8 (St. Louis) . . . . .	457	497,799,033
District 9 (Minneapolis) . . . . .	690	608,238,216
District 10 (Kansas City) . . . . .	836	648,419,382
District 11 (Dallas) . . . . .	740	455,177,052
District 12 (San Francisco) . . . . .	518	798,078,827

These figures do not include the four national banks which refused to accept the provisions of the Federal Reserve Act, nor the five banks in Hawaii, and the two banks in Alaska. The Federal Reserve Board took office in August, 1914, and proceeded to complete its own organization. The directors of each of the several reserve banks will be made up of government appointees and representatives of the member banks. Two of the government directors will be chairman and vice-chairman respectively. There will be nine directors for each federal reserve bank; and they will choose other officers, including a president, and engage whatever clerical force is necessary.

It was frequently claimed during the summer of 1914, during the crisis that arose through the European war, that if the federal reserve banks had been organized more quickly there would have been no need to have had resort to clearing house loan certificates and to the provisions of the Aldrich-Vreeland Act of 1908 for additional currency, and that the country might have had the use of the new elastic federal reserve currency at once. However, that was not done; and national banks had to fall back upon the former methods of issuing an emergency currency, which may here be described.

## Emergency Note Issues in the United States.

The emergency circulation, used by the national banks of the United States in times of monetary stringency, may first be described. This currency is known as "clearing house loan certificates" and should be distinguished carefully from "clearing house certificates" which are certificates representing law-ful money or bankable funds and are used by the clearing houses in lieu of cash in settling balances. As will be recalled, the clearing house certificates, under the law, may be counted in as part of the legal reserves of a bank.

The clearing house loan certificates, on the contrary, are not legal tender money in any sense, and are merely certificates of obligation issued by the clearing house to member banks as a money medium during periods of financial stress or panic. They were first issued in November, 1860, in the stormy days preceding the outbreak of civil war.

The banks of the New York Clearing House Association agreed that, for the purpose of enabling them to expand their loans, the specie reserves held by them should be treated as a common fund and, if necessary, should be equalized among the banks by assessments laid upon the stronger for the benefit of the weaker; and that, for the purpose of settling balances between the banks, a committee should be appointed with power to issue certificates of deposit to any bank placing with them adequate security in the shape of stocks, bonds or bills receivable, and that these certificates should be received in payment by creditor banks. The effect of this agreement was that any bank which experienced an unusual demand for specie would be supported by the whole of the common stock; and that the debt to the others, which it thus incurred, could be met by a pledge of its securities. This plan, in its essential form, has been put into effect on several occasions of financial stress since, and has worked well.

The Aldrich-Vreeland Act of 1908 provided for the issue of an emergency currency along similar lines. The country was divided into districts for this purpose; and it was decided to permit banks who joined the association in each district—the district corresponding fairly well with the sphere of the clearing house in that region—to issue emergency notes based on approved commercial paper, up to 75 per cent. of its value. Banks could also directly deal with the Secretary of the Treasury and receive emergency notes on certain classes of municipal and corporation bonds, where such bonds were approved. In this case the note issue was based on 90 per cent. of the value of the securities. A definite limit is put on such emergency circulation, and it is subject to a tax until it has been retired. It is altogether likely, however, that the conditions under which federal reserve notes can be issued will make it unnecessary in the future to have recourse to note issues under the Aldrich-Vreeland Act.

Count Okuma, premier of Japan, in a message to American people in The Independent, says "Japan has no ulterior motive, no desire to secure more territory, no thought of depriving China or other peoples of anything they now possess."

## STOKERS AND ENGINEERS.

They do not see the white-flecked skies or mark the frightened gull  
Wheel from the stench of battle smoke that glooms the ocean's green.  
They do not see the bursting flame that leaps from hull to hull.  
Or mark the swirling waters of the sinking submarine.  
They play their part in danger's heart,  
Uncaring and serene.

They tend the things of whirling steel that drive the ship along,  
They watch the sleek and restless rods that sink and thrust and swing.  
Eyes for the moon-faced telegraph, ears for its clanging gong.  
And heart and soul for the man they serve, their Admiral and King.  
Though the engine room be the pit of doom  
They glory in the thing.  
Bare to the waist, they stoke the fires or trim the tumbling coal.  
Backward and forward in order they go, wiping the sweat from their eyes.  
They are driving the staggering, wallowing ship to its splendid invincible goal.  
Blind to the way, unknowing the end, yet are they wonderfully wise.  
For the end is the same for the patriot brave  
Whether he lives or dies.  
—Edgar Wallace, in Town Topics.

It is always interesting to study men who have made good. Not two of them are alike in temperament and hardly two adopt the same methods to attain success. It is quite true that most men in the limelight of business or public life have their limitations—these limitations have a good Canadian term applied to them "pikers"—but the really big man is the one who thinks and acts for himself. Canada has many such men who have been masters of their environments, and the beginning of each industry of this country has brought out the right men to handle it at the right time and in the right way. Col. John Carson belongs to this category. This physical giant had his opportunity at the beginning of the Cobalt mining boom, which said opportunity he grasped with both hands and became a millionaire. John Carson, with a few of his friends promoted what has turned out to be one of the best money-makers, even in the world where big money has been made. Crown Reserve, the mining company in question, has paid out dividends many times the amount of its original capital, and is still going strong. This proposition not only made Col. Carson a wealthy man, but created that public confidence which enabled him to promote the Crown Trust Company and the Crown Exploration and Development Company. In the Crown companies he has shown something more than the mere ability to promote; in fact, his organizing and executive abilities have been bigger factors in their permanent success than the getting together of the capital.



Bluff, hale and hearty, John Carson has underlying his good nature a large stock of shrewdness which has helped him to read his man pretty accurately; it is this faculty of this gauging human nature that has given him his association of capable men, every one of whom put his good share into the common pot of collected interests, with the result that all benefited. Carson is no hog. He is always ready to share his winnings, and herein lies his popularity amongst his associates. In military circles he is just as popular, though from different reasons; the principal one being his spirit of comradeship, though he is a thorough soldier with the true sense of discipline, which he has inculcated into his present regiment, the Grenadier Guards. His old regiment, the 5th Royal Highlanders, was brought to its high state of efficiency by the same methods. Previous to his mining promotions, Col. Carson was in the insurance business, and no doubt it was this experience, which extended over a period of many years, which gave him his knowledge of men and taught him the great value of tact. The Colonel is a strong churchman and a home bird. He has no special hobby but he manages to make the most of his leisure time, which is very limited.

FREDERICK WRIGHT.

## "CIVILIZED WARFARE."

Is there such a thing as "civilized warfare" in this age of Christian progress? Are all laws of morality, humanity and religion, as well as the statutes of nations, silent in the midst of arms? "Navies grappling in the central blue," in battles from which a "ghastly dew" falls to the earth, may be imagined as thrilling and respectable, for there would be combatants on either side who knew what they were about and took the awful chances of war in the clouds. But how about a whirling airship in the dark above a crowded city, dropping explosive bombs after midnight into houses in which women and children are sleeping?

According to the dispatches from Antwerp the Zeppelin which hovered over that city on Tuesday night and dropped those terrible missiles was believed to be aiming at the slaughter of the royal family and the Cabinet of the Belgian Government, who had taken refuge there when Brussels was threatened by German troops, and at the destruction of the military barracks which was filled with refugees and a hospital in which wounded soldiers, including Germans, were being cared for. What it did, according to the reports, was to damage many private houses, kill ten persons, including a policeman and six women, mangle a number of children and injure some thirty other persons, none of them combatants.

Is this among the things which constitute a "glorious victory" accomplished "with Gold's gracious assistance," like that of Duke Albrecht's "splendid army," and for which the people are asked to join the Kaiser in "thanking the Almighty"? Major Seaman, the American surgeon, who attended some of the injured, is said to have been filled with righteous rage at this exploit of Zeppelin, whom his Imperial Majesty has delighted to honor as "the greatest genius of the century," and to desire to have the United States join in a demand for reparation. But what is this compared with the assassination of a Grand Duke

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Notice is hereby given that a dividend at the rate of 8 per cent. per annum on the paid-up Capital Stock of this Institution has been declared for the current quarter, and that the same will be payable at its Banking House in this city, and also at its branches, on and after Tuesday, the first day of September next, to Shareholders of record of August 17th, 1914.  
By order of the Board.

G. H. BALFOUR

General Manager.

Winnipeg, July 15th, 1914

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## A MATTER OF HONOR.

England could not honorably or sagaciously do less than she has done. To have left helpless Belgium to its fate would have been cowardice, folly and shame. The Teutonic menace to the peace of Europe has to be met, and must be confronted by some power. German professionals of good faith and sincerity cannot be trusted. In the providence of God it has fallen to England to withstand William of Germany as she a century ago withstood and overthrew Napoleon the Great.—Spokesman Review, of Spokane.

## RUSSIAN RESERVISTS IN CANADA.

There are 75,000 Russian reservists in Canada. They have not yet been called home, but they are applying in great numbers to be sent there. If they are ordered to go they will proceed by way of the Canadian Pacific to Vladivostok.—Victoria Colonist.

## BRITAIN'S MORAL PRESTIGE.

The Union Jack is the emblem of the highest civilization, from which our own sprang, and with which it holds priceless blood-bought heritages in common. Chief among these heritages is the blessing of liberty, the rights of the common man. Nowhere is the Kaiser in "thanking the Almighty"? Major Seaman, the American surgeon, who attended some of the injured, is said to have been filled with righteous rage at this exploit of Zeppelin, whom his Imperial Majesty has delighted to honor as "the greatest genius of the century," and to desire to have the United States join in a demand for reparation. But what is this compared with the assassination of a Grand Duke

In time of peace? Is it not just an insignificant incident in "civilized warfare"?—New York Journal of Commerce.

## REGULATING RUSSIAN BANKING BUSINESS

Projected Bill Means To Regulate Operations "On Call" And Dealings In Shares

## DETAILS OF MEASURES

Transfer of Banking Establishments From one to Another is Now Permissible Only on Contract—Compulsory System of Bookkeeping

London, August 28.—The great extension in the Russian banking system, and the numerous amendments therewith, have compelled the Ministry to elaborate a special bill, with a view to regulating this business. The proposed measure is to be applied not to joint stock banks, or mutual societies, but to banking houses, under which are included firms that do business without sanctioned statutes. The principal item of the new operations "on call," then comes dealing in shares and dealings in bills, the banking houses principally with money deposited borrowed. In the provinces they mostly their own account, investing money in trade industry in the form of advances on bills, merchandise and documents.

For persons desirous of opening a banking house the bill establishes both moral and legal requirements. Permission to open or even to a banking house cannot be issued to persons who have been bankrupt or to such as have been convicted or are on trial for penal offences. Further, a deposit must be made by the proposed owners in the State bank or State Treasury, amounting to \$15,000 in the capital and \$10,000 in other towns. Without serving this small amount as a guarantee for the payment of obligations, this deposit is of the nature of a recommendation of the owner at the time of an indication of his solvency as every creditor has the right to attach this deposit, and it must be free within a term of five days, under penalty of having the establishment closed.

Banking establishments are opened with authorization by a simple notification to the Chancery and payment of the deposit in the official papers. The style or name of the establishment must include only the designation "banking house," supplemented by the name of its owner, is intended to prevent deception by the use of sounding titles, with a view to advertising establishments, thus misleading the public as to scope and purpose of the office. Banking houses are forbidden to employ agents. The practice of that such agents are very harmful, as they are the uneducated masses—into houses, which result in their ruin. Branches are opened as independent offices.

Transfer of Russian Banking Houses. The transfer of banking establishments from one person to another is permissible only by contract for a notary and notification thereof to the Chancery. Detailed rules of transfer of houses have been drawn up in accordance with the provisions of the Ministry of Trade, and will be provided by the transfer of all trade enterprises in general. The joint responsibility of the old and new owners, as regards the extended to all debts contained within the limits and all others which the purchaser of the business may, in the event of the transfer of the bank to another person, insist upon the return of their deposits before the specified term. The rules as to the conduct of the establishments deal with the more important of business in detail. The total amount of all kinds must not exceed more than the actual capital of the enterprise. Deposits must be accepted for a sum of less than 25 dollars must be paid on documents bearing the name of the recipient. All orders from clients and all of their fulfillment must be made in accordance with the mortgage of securities belonging to the bank. The mortgage of securities is permitted only by their consent, and now is in banks. The mortgage of lottery tickets to clients is entirely forbidden. The transfer of the opening of "on call" accounts clearly defines the amount of the credit given security of shares. Supplementary security demanded from the client only in such cases as he has exceeded the amount of the credit. The must be allowed two days to fulfill the requirements for supplementary security. In order to change an "on call" account the client must furnish the warning. The sale of clients' papers must be carried through a stockbroker. Owners of banking establishments are responsible for losses to clients by false advice or information given by such owners or their representatives.

With a view to exerting an efficient control on the business of banking establishments a compulsory system of bookkeeping is introduced in accordance with the directions of the Minister of Finance banking houses or offices accepting deposits are required to publish their accounts, while other establishments have to furnish their balance sheet when called upon to do so by the Credit Committee. The Minister of Finance has the right to a revision, and before the conclusion thereof, the banking establishments to carry out operations. It is proposed to charge the expense of the revision to the establishment so revised. The proposal has called forth strong protest from business circles.

The rules and regulations concerning the conduct of banking business as defined above are waived by private agreement with the client. Any violation of the law is punishable by imprisonment from four months to one year, while furnishing the Minister of Finance with a possibility of coping with the abuses have affected the banking and Stock Exchange, but, at the same time, the law will be enforced with extreme circumspection, less than one of the most important elements of the welfare.

## LONDON MONEY RATES

NOMINALLY UNCHANGED

London, August 28.—The Bank of England issued a notice to holders of pre-moratorium bills that any bill that has been accepted for discount unpaid and refused re-acceptance, must be taken by the bank that obtained the discount. The bills on which any endorsement has been entered are not to be taken by the Bank of England. The nominal unchanged, with little doing.