

is capped, as Mr. Winter has pointed out, by the omission from the valuation sections of any requirement of a reserve for the sickness benefits.

**RESERVES AND INVESTMENTS.**

Mr. Bradshaw speaks of a maximum, as well as a minimum, standard of valuation; in regard to the former, it may be observed that the alleged "maximum" may not be increased (to quote the Statute) "except with the approval of the Treasury Board." As regards native companies the two main valuation sections of the Act have some appearance of inconsistency, inasmuch as, whilst in the earlier section the Canadian companies are prohibited from increasing their reserves beyond a given point without special Government permission, in the later clause they appear to be included with the foreign and British companies which (except from the prohibition of the earlier section) are empowered to make their annual valuation at such mortality and interest rates as might result in greater reserves than the Government standard, or Om (5) with 3 per cent. The section permitting native companies (to the exclusion of foreign and British) to make a deduction from their reserves—i.e., creating an ultra-minimum valuation standard—is of interest as being the first new business expense allowance clause appearing on the pages of any Insurance Statute within the Empire.

The Investment Sections of the Act invite particular attention. The issue of a prolonged controversy, they may be regarded as reflecting the Government rather than the insurance companies' views. It is now forty years since the principle of Government restriction of insurance companies' investments first appeared on the Canadian Statute Book. In the interval the trend of Dominion legislation has been to broaden the range of permissible investments, and the new Act covers a wider field than the companies have yet enjoyed. It would not be difficult to note some anomalies in translating the text of the Act into practice, but the basis on which the companies may now operate is probably sufficiently broad to satisfy them for some years to come—particularly if the country continues the rate of expansion and increase of population of recent years. . . .

As to the effect of the Act, there is no doubt it will have a distinct tendency to widen the influence of the profession in Canada. . . . In the field the channel of competition will be changed, and the insuring public will be invited to enjoy better returns in the form of bonus or dividend. These bonuses may, however, rest rather upon a high interest yield from a more extended investment sphere than from any decreasing expense rate, though the Act may work some change in the incidence of the expenditure.

**Notes on Business.**

**Canadian Banks and New York.** An attack on the Canadian banking system by the Hon. Mr. Vreeland, delivered at a recent convention of the New Jersey Bankers' Association, has provoked an interesting reply, in the New York Journal of Commerce, from Mr. H. M. P. Eckhardt. According to Mr. Vreeland, Canada's banking system is "provincial." During the panic of 1907, he says, Canada was more dependent upon New York than was Pittsburg, and if the Canadian banks had called on the New York deposits for use at home, they would not have got them. To which statements, Mr. Eckhardt briskly replies:—

But Pittsburg was in great distress in 1907, and was obliged to close its Stock Exchange. Nothing like that occurred in Montreal or Toronto. Then it is said that the Canadian banks could not have realized on their New York call loans and deposits had the need for doing so arisen. R. Y. Hebden, the New York agent of the Bank of Montreal, flatly contradicted this same statement when it was made in 1907. Mr. Hebden said there was not one day in the panic in which the Bank of Montreal or the other Canadian banks could not have got sterling exchange for any New York loans they had wished to call. And as he pointed out, the banks could have utilized the ster-

ling exchange as a means of shipping gold to Canada from London had it been at all necessary to ship gold.

Mr. Eckhardt shows that the Canadian bank statements reveal that the Canadian banks realised a matter of \$15,000,000 call loans in New York during the panic month of October, 1907. He proceeds:—

I have, no doubt, that even if there had been an absolute lockup of their funds in New York, the Bank of Montreal, the Canadian Bank of Commerce, the Royal Bank of Canada, the Merchants' Bank of Canada and the other important banks could have arranged in London for such supplies of cash as they required for a possible emergency in Canada. It is to be remembered that the Canadian banks are in high credit in Europe. If it had been absolutely necessary for them to do so, the Canadian banks could have forced the great financial houses in New York who borrow from them at call to liquidate these loans by means of borrowing in Europe. The collateral held against the \$63,000,000 call loans would be available for negotiation in Europe at a price.

Possibly these remarks will serve to show that the Canadian banking system is not provincial in any sense. It seems strange that any banker should think of banks which have branches in every part of the Dominion, in the United States, Mexico, the West Indies, Newfoundland and in London, England, as provincial banks. Whatever it may be, the Canadian banking system is certainly not a provincial system. Mr. Vreeland says he lost interest in Canadian banking when he discovered that the deposits of all the banks in Canada were not more than the deposits in the savings banks of Massachusetts. I might mention, in passing, that the deposits in the savings banks of Massachusetts comprise nearly one-fifth of the deposits in the savings banks of the whole United States. And I have no hesitation in saying that in ten years' time the deposits of the Canadian banks will not be so small as to merit Mr. Vreeland's scorn. . . . Four and a half years ago, the deposits of the Canadian banks were 37 per cent. of the deposits of the national banks in the Eastern States, including New York City; now they are 46 per cent. In 1906 the Canadian deposits were 56 per cent. of the deposits of national banks in the Middle West, including Chicago; now they are 64 per cent. Every indication points to a more rapid ratio of increase for Canada in the next ten years.

Following are the particulars of Canadian revenue for the two months of the current fiscal year to May 31, 1910:—

	\$
Customs.....	12,646,145
Excise.....	2,606,235
Post Office.....	1,300,000
Public Works, including Railways.....	1,496,104
Miscellaneous.....	524,957
<b>Total.....</b>	<b>\$18,573,441</b>

Expenditure on revenue account for the same period is \$3,824,874, and on capital account—public works, railways and canals—\$488,145. No figures for the corresponding period of last year, enabling comparison to be made, are published. Corrected figures of the revenue and expenditure for the fiscal year which ended on March 31 last, show the following:—

	\$
Customs.....	72,965,394
Excise.....	16,469,837
Post Office.....	9,146,953
Public Works, including Railways.....	10,818,834
Miscellaneous.....	7,979,391
<b>Total.....</b>	<b>\$117,780,409</b>

Expenditure on revenue account was \$87,773,998 and on capital account \$33,006,222. The net debt of Canada on March 31 last, was \$340,041,852.