

THE STERLING BANK OF CANADA

Through *personal* contact with the client we obtain an intelligent understanding of his business which proves of value in assisting him in the *expansion* of that business.

Head Office
KING AND BAY STREETS, TORONTO

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The National Bank of Scotland Limited

Incorporated by Royal Charter and Act of Parliament. ESTABLISHED 1825

Capital Subscribed.....	£5,000,000	\$25,000,000
Paid up.....	1,100,000	5,500,000
Uncalled.....	3,900,000	19,500,000
Reserve Fund.....	1,000,000	5,000,000

Head Office - EDINBURGH

WILLIAM CARNEGIE, General Manager. GEORGE A. HUNTER, Sec.
LONDON OFFICE—37 NICHOLAS LANE, LOMBARD ST., E.C.4

T. C. RIDDELL, Manager. DUGALD SMITH, Assistant Manager

The agency of Colonial and Foreign Banks is undertaken, and the Acceptances of Customers residing in the Colonies domiciled in London, are retired on terms which will be furnished on application.

The Standard Bank of Canada

Established 1873

152 Branches

Capital (Authorized by Act of Parliament)	\$5,000,000.00
Capital Paid-up	3,500,000.00
Reserve Fund and Undivided Profits	4,727,326.90

DIRECTORS

WELLINGTON FRANCIS, K.C., President. HUBERT LANGLOIS, Vice-President.
W. F. Allen, F. W. Cowan, T. B. Greening, H. Langlois,
James Hardy, F.C.A., Thos. H. Wood.

Head Office, 15 King St. West TORONTO, Ont.

C. H. BASSON, General Manager.

J. S. LOUDON, Assistant General Manager.

SAVINGS BANK DEPARTMENT AT ALL BRANCHES

The Dominion Bank

ESTABLISHED 1871

Capital Paid-up	-	\$6,000,000
Reserve Fund	-	7,000,000

Efficient service in all departments of Banking.
Sterling Drafts bought and sold.
Travellers' Cheques and Letters of Credit issued.

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THE EXCHANGE RATE

VII.—What Controls It?

WE have shown in former issues of this series that currencies, outside their own countries, are commodities, not money; the advantage of Bills of Exchange over gold for making settlements and the effect of the Trade Balance on the Exchange Rate. In our last article, we explained the influence of the Inflation of the Currency. We will now deal with the effect of the second of the War Finance measures, the Restriction of the Export of Gold.

Before the War, except during the greatest financial crises, paper currencies of the chief countries could be redeemed in gold on demand, and the gold could be sent to another country.

The fact that this was possible had great controlling influence on fluctuations in exchange, for when the premium on a Bill of Exchange on any country rose above the cost of shipping and insuring the gold, settlements were made by such shipments. Gold reserves, if depleted by shipments to countries where our paper money was at a discount, usually were restored by the purchase of gold in countries where our paper money was at a premium. The range of the rise and fall in exchange was thus kept within comparatively narrow limits.

When war broke out, however, all the belligerents prohibited the export of gold in order to retain as large reserves as possible for their future financing.

The principal controlling factor in the exchange market was therefore withdrawn, and the price of Bills of Exchange depended chiefly on whether the amount offered exceeded, or was less than the demand.

In our next issue, a week from to-day, we shall touch upon some other influences on the exchange value of the dollar which, to keep the problem in its simplest form, have so far been omitted.

THE CANADIAN BANK OF COMMERCE

Capital Paid Up	-	\$15,000,000.
Reserve Fund	-	\$15,000,000.

This series, when completed, will be published in pamphlet form. If you desire a copy, write to our Head Office, Toronto.

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