

THE CHANGING FORM OF BANK ASSETS.

The recent rise in the proportions of security holdings to the banks' total resources brings into prominence several interesting questions bearing on Canada's progress and development after the war. Apparently, while the great struggle lasts, writes Mr. H. M. P. Eckhardt in the *Journal of the Canadian Bankers' Association*, our banks will find it necessary to continue buying Dominion Government bonds, and perhaps British Treasury bills. So unless peace is concluded within a comparatively short time, there may be a further rise in the proportion of securities held. It is clear that the investment in the securities mentioned has not exerted an adverse influence on our industry and trade. With conditions as they have been, the money could be spared. The general depression slightly antedating the war released large amounts of capital through liquidation of bank loans; and notwithstanding the abnormal activity of the war industries there has been plenty of funds for all purposes; but sooner or later there will be occasion to again expand the home loans greatly in order to take care of general business expansion. Then, the war of course being concluded, the banks will be under pressure to withdraw funds from the headings which have been showing swollen figures, and put them into the discount lines of business customers.

USE OF WAR SECURITIES.

It must be regarded as extremely fortunate, says Mr. Eckhardt, that our banks had not been loaded up, arbitrarily or otherwise, with Government or other securities before the war. Thanks to this, they could buy for investment with safety and propriety a considerable amount of Government bonds as soon as the Government needed support of this kind. Doubtless a fairly large part of the Dominion bonds now acquired will be held to maturity. The rate of interest is satisfactory, and when London resumes its normal functions these bonds will serve excellently as cover for exchange drawings on that centre. It may be also that within a short time after cessation of hostilities Canada's 5 per cent. bonds will go to a premium of ten points or more. If so, the problem of disposing of them would present no difficulty—the banks could simply turn the securities over at a good profit to investors in the United States or England, and thus procure additional funds for enlarging current loans. Considering the comparatively short date of the Dominion bonds thus far purchased, and their high rate of interest, it does not seem likely that they will fall below the issue price when peace returns—unless the war lasts much longer than expected and the issues of the bonds reach dimensions much greater than is now anticipated. So long as the bonds can be sold without loss, realization will be easy to accomplish.

BRITISH TREASURY BILLS REALISABLE.

The British Treasury Bills acquired in connection with the loans granted to the Imperial Munitions Board, are short date securities, and will be provided for by the Imperial Government when the floating debt is funded. There seems to be no reason for forebodings that these securities will develop into a lock-up. However, the banks might

be expected to subscribe for long-term British bonds, issued to take care of maturing Treasury bills. Even so, the bonds would be absorbed in the British investment market in a comparatively short time. For reasons of policy it may be considered advisable to hold either or both of these investments for a number of years, but as soon as circumstances in this country become such as to make it necessary for the banks to utilize all available funds it will no doubt be possible to arrange with bankers in London or New York for quick realization.

It is necessary to remember that to a certain extent the increased holdings of securities would be represented by new acquisitions of Provincial Government and municipal bonds. These would be carefully selected, and should not be difficult to dispose of when the funds are required. With the return of normal conditions in London the market there will be re-opened, and probably the market in the United States will have been developed considerably. So it does not appear that the remarkable changes in the composition of the assets of the banks will be other than temporary; and we need not regard them as likely to check progress and development.

THE JUNE BANK STATEMENTS.

THE CHRONICLE's customary comparative abstract of the June bank statement is published on page 869. A summary of the leading figures appeared in our last issue, and it is now only necessary to add that with the continued increase in their resources, the banks maintain a very high standard of reserves. Immediately available reserves of specie and Dominion notes, deposits in the Central Gold Reserve and to secure the note issues, net bank balances abroad and foreign call loans at the end of June were in the proportion of 31.7 per cent. to the note circulation and deposits of all kinds, including the Imperial Government's balance. The proportion at the end of May was 31.9 per cent.

It will be noted that the banks' holdings of securities other than those under the heading of Canadian municipal and foreign public securities continue to decrease. One result of the banks' extensions of credit to the British Government is thus seen in a shifting of the securities held. While even at their lower June level, the banks' holdings of Dominion and provincial securities are very nearly double what they were a year ago, owing to holdings of the domestic war loans, the banks' investments in railway and miscellaneous bonds and stocks have been actually reduced. They were scaled down over \$6¼ millions last month and are now over seven millions below their level of June, 1915. Investment holdings under the heading of Canadian municipal and foreign public securities increased nearly \$18,000,000 further in June, the greater part of this advance probably, being on account of the British Exchequer bonds which are taken by the banks in connection with their credit to the British Government. Investments under this heading show a growth for the year of over \$96½ millions.

At the end of June, only the small balance of \$1,029,250 was left on account of the banks' credit to the British Government, but this was apparently before the new credit of \$25 millions came into force.