

THE BANKS' CIRCULATION.

The end of July figures of the banks' circulation usually mark the minimum amount of that circulation, prior to the great advance in it caused by the financing of harvesting operations and crop transportation. From July the circulation usually rises rapidly month by month until a maximum is reached in October. Last year, the end of the month movements of circulation were as follows:—

July 1913	.. \$99,143,411
August	.. 105,806,914
September	.. 111,075,519
October	.. 118,234,359

This year, the harvest expansion in circulation starts from a point over \$4,000,000 lower than in 1913. The circulation at the end of July last was \$94,815,561. However, it may be expected that the circulation by the end of October will almost reach, if it does not exceed, the figures of last year. Provided that the North Atlantic is kept clear, there will undoubtedly be a very large movement of grain to Europe. Some of the western farmers are said to be disposed to keep back their wheat in the hope of obtaining higher prices later on. But the pressure of creditors and others will be undoubtedly sufficient to ensure a very large movement. Moreover, the right which has been given the banks under the present circumstances to pay out their own notes instead of legal tender, so long as they keep within the bounds of the limitations imposed by the Bank Act—the amount of their paid-up capital plus 15 per cent. of their paid-up capital and reserve combined—will possibly have the effect of causing the putting into circulation of more five and ten dollar bills, than is normally the case.

As the banks already hold five-sixths of the Dominion notes issued, it may possibly not be found necessary to restrict the circulation of the smaller change making Government bills. But should it be found necessary to do so, their place would have to be taken by silver coins.

BRITISH GOVERNMENT'S FINANCING.

The energies of the Consol market are being devoted to keeping up the price of the funds, writes a Stock Exchange correspondent to the *London Economist*. It is felt that upon the quotation for Consols there hangs much wider importance than that of merely local conditions. Therefore, Stock Exchange advisers to the Government have been emphatic this week in their insistence that the new Government loan should take some shape whereby it would avoid all chance of competition with Consols. That is to say, a stock redeemable at a fixed date, with interest payable at a different rate from that on Consols, and other such distinctions, ought to be employed in the case of any new loan which is not to damage seriously the quotation for the premier security. A certain amount of stock has changed hands since the House closed, mostly, however, in small amounts, from which dealers in the market infer that a certain class of bank depositor prefers to transfer his money from the banks into Government stock.

BANKS' STRONG POSITION AT OUTBREAK OF WAR.

The figures now available of the position of the Canadian banks at the end of July, show that they were in strong position to meet the exigencies of a difficult situation. Actual cash (specie, Dominion notes and deposits in the gold reserve) shows a proportion to liabilities to the public of 11.5 per cent. Cash with the other assets comprising the first line of the banks' reserves equal 25.5 per cent. of liabilities to the public. A year ago this proportion was as low as 21.0 per cent., so that a very marked improvement has been made in the intervening period. Such a crucial test as the present could not have been anticipated, but the banks' conservative policy over a long period has been more than justified by the calmness and confidence with which it has enabled the present events to be faced.

In the case of several of the larger banks, of course, the proportion of their liquid assets to liabilities to the public is much larger than that of all the banks.

TRADING WITH THE ENEMY.

The following announcement has been made by the British Treasury:—

Some doubts having arisen as to the meaning and application of the proclamation against trading with the enemy, the Government authorize the following explanation to be published:—

(1) For the purpose of deciding what transactions with foreign traders are permitted, the important thing is to consider where the foreign trader resides and carries on business, and not the nationality of the foreign trader.

(2) Consequently, there is, as a rule, no objection to British firms trading with German or Austrian firms established in neutral or British territory. What is prohibited is trade with any firms established in hostile territory.

(3) If a firm with headquarters in hostile territory has a branch in neutral or British territory, trade with the branch is (apart from prohibitions in special cases) permissible, as long as the trade is *bona fide* with the branch, and no transaction with the head office is involved.

(4) Commercial contracts entered into before war broke out with firms established in hostile territory cannot be performed during the war, and payments under them ought not to be made to such firms during the war. Where, however, nothing remains to be done save to pay for goods already delivered or for services already rendered, there is no objection to making the payment. Whether contracts entered into before war are suspended or terminated is a question of law which may depend on circumstances, and in cases of doubt British firms must consult their own legal advisers.

This explanation is issued in order to promote confidence and certainty in British commercial transactions; but it must be understood that, in case of need, the Government will still be free to impose stricter regulations or special prohibitions in the national interest.

Bank of England rate was continued yesterday at 5 per cent.