

Correspondence.

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LONDON LETTER.

FINANCE.

London July 14, 1906.

A great deal of interest was aroused when the Committee was appointed in February of last year by the Board of Trade to consider the position of joint stock enterprises in this country. The report has now been issued and in the course of this the Committee points out that the number of companies that invite the public to subscribe has fallen from 11 per cent. in 1901 to 8 per cent. in 1905, the while the companies that do not invite the public to subscribe have increased in the same time from 50 per cent. to 76 per cent. Then the total amount of nominal capital shows an enormous and, with one exception, a continuous drop. In 1896 it was £285,000,000; in 1905 it was only £108,000,000. During the same time the average amount of nominal capital to each company fell from £66,000 to £27,000. The Committee thinks the reasons are three in number: (1) the war loans diminished capital available for investment; (2) the raising of the registration duty by the Finance Act, 1899, from 2s to 5s per £100; (3) the stringent provisions of the Companies Act, 1900.

It is, therefore, recommended that a director whose breach of any duty imposed upon him by the Companies Act is the result merely of honest oversight, inadvertence, or error of judgment, shall be removed from liability. "We think, too," says the Committee "that various recent decisions on the Income-Tax Act, to the effect that a company registered or controlled in England and doing business abroad is liable to be taxed on the whole of its earnings, whether made abroad or in the United Kingdom, and wherever its shareholders may be domiciled, have adversely affected the registration of companies in this country, and have led to their reconstruction so as to place them under colonial or foreign law. These decisions have also to some extent encouraged the formation abroad of companies which might otherwise have been registered here." For the protection of unsecured creditors of a company the balance-sheet, the Committee recommends, should be filed with Registrar.

As regards floating charges on the undertaking and all the assets, present and future, of a company, the majority of the Committee think it only desirable to amend the law by providing that a floating charge given within three months before the commencement of the winding up of a company shall be invalid, except to the extent of the cash actually advanced at or subsequently to the creation of the charge. Sir Edward Speyer is of opinion that while directors should be protected against mistakes honestly committed, their liability for negligence should be increased. He adds: "There is small moral sanction for the position of a man who has ten or more directorships, whose companies go into liquidation through mismanagement, and who, apart from what he may have paid for his qualification shares, loses nothing—not even his market value as a director, for he is free to reap an income by joining other boards." Mr. Worthington Evans would alter the laws requiring seven persons to constitute a limited company. He thinks a company formed by two or three persons less objectionable than a company formed by the same persons with the aid of a few dummies.

INSURANCE.

The Select Committee of the House of Lords which is inquiring into the methods of life insurance companies, particularly the foreign and colonial offices, has now met three times and a great deal of valuable and interesting evidence has been heard.

At the the last meeting Mr. Bruce, K.C., (president of the Finance Committee of the Canada Life Assurance Company), said that in Canada they insisted on the assets of foreign companies being equal to the liabilities, and they were willing to do the same in countries where they themselves did business. The Canadian law required all British companies doing business in the Dominion to leave in the hands of trustees securities equal to the reserve value of the policies on the lives of Canadians. It would only be proper that the Canadian companies should reciprocate. His company also had to deposit in the United States a sum equal to the reserve value of the policies there. As to the transference of assets from one country to another, he pointed out that a large portion of the securities of his company could not be transferred, being partly in real estate, small mortgages, loans, and so on. Another reason for not transferring assets here was the more favourable rate of interest on the other side, the average rate being 4 per cent. to 6 per cent. He would suggest that the assets required to represent policies in this country should be held by a trust company on trust for some Government official.

STOCK EXCHANGE NOTES.

Wednesday, p.m., July 25, 1906.

Although prices have improved and strength has developed in the market trading continues dull. Montreal Power and Canadian Pacific were the only stocks showing any life this week. The action of C. P. R. seems to confirm the rumor of some development favourable to the stockholders, and although it is not expected that any change will be made in the dividend rate, it is thought probable that some extra disbursement in the way of a bonus will be made. The most noticeable feature in the present market is the extreme scarcity of stocks offering for sale, and although the higher dividend declared on Montreal Power has not had any very material effect on the price of the security so far, it has tended to induce present holders to retain their stock. Apparently the only dark spot in the stock market horizon at present is the unsettled Russian situation, and if the unrest in that country can be held in hand, pressure from this quarter will greatly be removed. The crop moving period is now coming on, and it is of course impossible to say at this time what affect the money requirements in this connection will have on security values. The apparently very complete provision that the larger interests have made, however, must not be overlooked, and although the usual autumn stringency for day to day call money can be looked for, its influence on the stock market will probably be less than in former years. Investment buying of dividend paying stocks continues and shows a tendency to enlargement, while the demand from the speculative public is still a negligible quantity. Taking everything into consideration, the stock market remains somewhat mixed, but the buying side seems more attractive.

There is no change in the monetary situation in Montreal, the bank rate for call loans continuing at $5\frac{1}{2}$ per cent. In New York the call rate to-day was $2\frac{3}{4}$ per cent., while the quotation in London was 2 per cent.

The quotations for money at continental points are as follows.