

Monetary Times

Trade Review and Insurance Chronicle
of Canada

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DEPRECIATION IN SECURITIES

Since the commencement of war between the United States and Germany, there has been a heavy depreciation in the quoted values of securities generally, including those of the highest grade which have heretofore found a ready market in competition with government issues. In many cases prices have shrunk to figures which are manifestly far below the prices which would prevail under any normal conditions. This shrinkage or marking down of values is partly due to the efforts of investors to sell other high-class securities for reinvestment in government bonds.

In view of all conditions, the United States Comptroller of the Currency has instructed national bank examiners that they need not at this time require national banks holding high-grade bonds of unquestioned intrinsic value and merit to charge such investments down to present abnormal figures; but an intelligent and conservative discretion will be exercised as to the prices at which national banks can safely and reasonably be permitted to carry such high-class securities, and as to what proportion of the depreciation should be charged off in any six months period. After the outbreak of the European war in 1914, the Comptroller of the Currency instructed national bank examiners that national banks need not be required to charge down the values of their high-grade bonds to meet the abnormal and sacrifice quotations which for a while were being made on the outside markets (the stock exchanges being closed) on securities which at that time were being thrown overboard regardless of real worth.

That office also endeavored to prevent the sacrifice by national banks, while the exchanges were closed and there was no general market for securities, of bonds and shares held as collateral for customers' loans.

The policy pursued proved fortunate at that time. After the first pressure was over and money conditions

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relaxed, the security market was re-established; the grave losses which were threatened by the temporary shrinkage in values were averted, and borrowers from banks were enabled to meet their obligations without the sacrifice of their collateral.

ECONOMY, CREDITS, PROSPERITY

The minister of finance announced last week that the financing of the exportable surplus of the Canadian wheat crop of this year has been satisfactorily arranged. This announcement follows the conference recently held at Ottawa between Lord Reading, representing the Imperial government, the Dominion government and the executive officers of the Canadian Bankers' Association. Since this conference the matter has been under further negotiation with Lord Reading through the minister of finance, resulting in the official statement noted above.

The amount involved is over \$350,000,000 and the satisfactory arrangement which has been made for its financing is of great importance to the western farmer who is thus assured of the price fixed for his grain. The transaction will also be of advantage to the whole of Canada because of its relation to general business conditions throughout the entire Dominion.

The *Monetary Times* understands that credits of \$100,000,000 have been arranged by the Dominion government for wheat purchases by Great Britain to the end of the current year. Further advances will be made later.

Such transactions depend entirely upon our ability to finance them. Great Britain has purchased \$925,000,000 of munitions in this country since the war started. At the end of the year, the total will be \$1,000,000,000. In addition, she is buying ships, flour, oats, cheese, wheat, sugar, hay, cotton and woollen goods, leather and rubber goods, iron and steel manufactures, and so on, for war