

# The Chronicle

## Banking Insurance and Finance

ESTABLISHED 1881.

PUBLISHED EVERY FRIDAY.

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Proprietor.ARTHUR H. ROWLAND,  
Editor.**Office:**406-408 LAKE OF THE WOODS BUILDING,  
10 ST. JOHN STREET, MONTREAL.

Annual Subscription, \$3.00. Single Copy, 10 cents.

MONTREAL, FRIDAY, NOVEMBER 20, 1914.

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### THIS WEEK'S FINANCIAL DEVELOPMENTS.

From the financial point of view one of the most important events of the past week has been the issue of £350,000,000 of British Government bonds due in 1928 and bearing interest at 3½ p.c.—the issue being made at 95. Premier Asquith announced that one financial house took £100,000,000 of this issue in advance. Under the circumstances this loan is floated on very satisfactory terms from the national point of view. The net cost to the Government works out at 4 per cent. As noted elsewhere, this is decidedly better than Germany or Austria can do, and the lower relative cost of the money of course helps the Allies to bring the war to a successful conclusion. The intention is to provide for the outstanding temporary loans issued by the Imperial Government and also to provide for the new expenditures of the immediate future.

#### WHAT CANADA MIGHT HAVE TO PAY.

The rate thus established for the British Govern-

ment would necessarily be somewhat less than that which the Canadian Government would be expected to pay in case of a large London loan. Perhaps Canada or any other colony or dominion belonging to the Empire would now have to pay around 4¾ p.c. in order to obtain access to the British market. That would seem to establish the rate for provincial government borrowings and the borrowings of the leading Canadian cities at around 5 p.c. Of course it would hardly be practicable for these borrowers to negotiate loans in London at the immediate present; and what they could secure in the home Canadian market is strictly limited. But it might be well for some of the provinces and municipalities to follow the example of Ontario and endeavor to place moderate amounts at home at attractive rates of interest. With reference to prospective borrowing by the Dominion, it is the intention of the British Government to allot roundly \$151,000,000 of the proceeds of this week's big loan for the use of the self-governing dominions in order to obviate the necessity of their coming into the London market for loans. This will tide our finances over until the New Year at any rate, at which time perhaps the conditions prevailing in the London market will have improved sufficiently to open the way for some colonial issues.

#### NEW FEDERAL RESERVE BANKS.

The other important event of the week is the inauguration of the new federal reserve banks in the United States. The Federal Reserve Bank of New York is understood to have received approximately \$100,000,000 of deposits last Monday, the first day of business. This large amount represented transfers of the reserves of member banks from their reserve agents to the new institution. A number of the large banks have declared that they are depositing with the Reserve Bank more than the legal minimum prescribed by the law, and it is certain that the resources of the new reserve banks in New York and Chicago will speedily reach very large proportions.

#### GREAT BENEFITS EXPECTED.

Our American neighbors are expecting to derive tremendous benefits as a result of this change of system. They expect to have an improvement in their trade through the release of a considerable sum in specie, hitherto held as bank reserves; and great benefits are looked for as a result of transferring the specie hoards of the National Treasury into the keeping of the reserve banks. It remains to be seen to what extent these anticipations will be realized.

#### CONDITIONS SATISFACTORY.

Monetary and business conditions in Canada continue to be satisfactory. The preliminary stages of the annual crop moving have been successfully passed through, and it is supposed that the banks will be able to undertake the task of carrying the grain delivered at interior and terminal elevators subsequent to the close of lake navigation at the end of this month. This