

# The Chronicle



## Banking, Insurance and Finance

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### FINANCING BELLIGERENTS' IMPORTS.

The financing of the imports of the Allies from this Continent appears likely shortly to enter upon a new phase. Hitherto the principal means employed, in addition to enormous shipments of gold, have been the Anglo-French External Loan of \$500 millions, various credit arrangements by France and Russia with American bankers, a British bankers' credit with American bankers, the credit of \$76 millions given by the Canadian banks to the British Government and the sale of American securities hitherto held in Europe, and particularly in Great Britain. With regard to the sale of American securities, it is to be remembered that investors in Great Britain have disposed of very large amounts of these securities in addition to those which have been sold under the British Government's scheme of "mobilisation." For instance, in the reports of the annual meetings of the large British insurance companies, which have lately come to hand on this side, it is frequently stated that large amounts of American securities were disposed of, even prior to the advent of the "mobilisation" scheme, and undoubtedly further large amounts have been sold by British holders direct, since the "mobilisation" plan was put into force. Altogether, it is estimated that since the outbreak of war some \$1,000 millions of American and Canadian securities formerly held in Europe and principally in Great Britain have been sold to new holders on this side the Atlantic. The guess is necessarily a rough one but unquestionably the amount of securities thus transferred from Europe to America is enormous. Canadian bond houses can themselves bear witness as to the frequency and importance of transactions during recent months involving the return to Canada of Canadian bonds and stocks formerly held in Great Britain.

Mr. McKenna, the British Chancellor of the Exchequer, has lately, by the drastic imposition of an additional 10 per cent. income tax upon holders of suitable securities for "mobilisation" purposes effectively brought into line British investors who have been hitherto a little backward in obliging the British Government in this matter, and, by all accounts, has been successful in bringing to light an enormous supply of securities. All these, of course, are not for sale to this side. An arrangement is made with the holders, in cases where the latter do not wish to sell, for borrowing these securities for a period of three years, the holder continuing to receive the

interest plus a commission of one-half of one per cent., the latter to recompense him for his trouble. The British Government, it is understood, has the right of sale, should circumstances render it advisable, but only after notification of the owner. The French Government has also been "mobilising" securities but in its scheme, North American investments are said to constitute but a minor part of the total volume of investments mobilised. The main components are bonds of South American and neutral European countries hitherto held in France. The scheme now suggested for the use of these securities is that they shall be deposited with an American corporation, yet to be formed, which is to furnish a credit of \$100 millions to the French Government. This corporation in turn will permit participation of other interests in the credit by issuing its own collateral-trust bonds for which the French-owned securities will be the direct security. Further British financing on this side, it is being strongly suggested, is likely to take the form of a somewhat similar scheme providing for the holding by a trust of the American securities which have been lately mobilised in Great Britain by lending to the Government. In this way, the difficulty of wholesale liquidation of securities hitherto held in Europe would be avoided. Admittedly, liquidation has been conducted very discreetly, but naturally while the necessity for it continued, there would be considerable fear lest the volume of it should exceed capacity on this side or an enforced enlargement of the volume should occur at an unpropitious time from the point of view of this side of the Atlantic.

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Presumably, in addition to these arrangements the question will soon come up at an early date of a further credit by the Canadian banks to the British Government for purchases in Canada. This matter will undoubtedly have to be considered in conjunction with any proposals for a new domestic War Loan in order that the resources of the banks may be employed to the best advantage without undue strain. For the present, it seems that Sir Thomas White is pretty well supplied with funds for carrying on Canada's share in the war. The Minister of Finance, however, has consistently financed ahead, and he might possibly consider it advisable to make a comparatively early appeal to the country for a new loan with the idea of the banks' arranging subsequently a new credit to the British Government.