It will be noted, and by many with surprise, that in the Reserve of the Bank of England the securities it holds are not included, although they are such as are readibly convertible into cash. If, however, the Bank were to begin offering securities for sale, there would be an increased demand for money which would cause the other London banks to withdraw some portion of their deposits from the Bank, so that what the securities realized would to a large extent be drawn from its own vaults, and the reserve would not be enlarged. It must be understood in order to realise the position of the Bank of England that it is the banker of the other banks who have their reserves on deposit in the Banking Department of the great national Bank.

Not only do the bankers, the bill brokers and financiers of the United Kingdom place their surplus cash with the Bank of England, but it is now the depository of the spare money or moneys waiting an opportunity for investment of the European bankers and of governments in other parts of the world. London has become the centre of the world's exchange business, and whenever provision has to be made for meeting drafts of foreign exchange by cash deposits, the funds so needed find their way to the Bank of England.

From these conditions it arises that whenever at any point in the financial machinery of the world there is a demand for cash, the pressure falls at once upon the Bank. The Bank of England is like the central power house of an elaborate and far-extended electric supply system, as, wherever throughout England there is an unusual demand for money, the ultimate source of supply is the Bank of the bankers, of the brokers, of the financiers of all classes. The power to meet the demand which may come from such a multiplicity of applicants is derived primarily from the Bank's Reserve, hence its supreme importance in the financial system of England, hence the interest with which it is watched.

The recent rise in the Bank rate from 3 to 3 1-2 is a vivid illustration of the close relation existing between the Bank and foreign financial conditions. The step, says an eminent London journal, "was practically forced on the Bank by reductions in the reserves of New York banks from 45 to 4 millions of dollars." This brought London face to face with the possibility of New York calling for gold from Europe as soon as the crops began to go forward. The risk of this, the demand of gold for France, the short supply of gold in Europe, and the possibility of Japan taking part of its deposit with the Bank in gold, with the season's drain of gold into the Provinces, all combined to necessitate a step being taken to keep the Reserve of the Bank of England from being further reduced.

A very natural enquiry will be: Why should the percentage of the reserve be the proportion between the notes and coin in one department of the Bank, as compared with the deposits, with a certain class of bills? Where does the reserve for the note issues come in? These questions open up the whole difference beween the Bank of England and all other Banks. The notes we are so familiar with are specially protected. The returns for end of June read as follows:—

ISSUE DEPARTMENT.

	£		£
Notes issued......	46,395,015	Gov't. debt........	11,015,100
		" Securities..	5,784,900
		Gold coin and bullion	29,595,015
	£46,395,015		£46,395,015

That is, in currency, there were notes in circulation for $231,975,000, against which the Bank held $55,075,000 of "Government debt" and $28,925,000 of "other securities" and $147,975,000 in "gold coin and bullion." The Bank can issue a fixed amount on Government securities, and for all above that sum it must have bullion on hand. That bullion, however, is not available for the other liabilities of the Bank. If the note issues are reduced, a corresponding reduction can be made in the stock of gold coin and bullion, but all notes issued over and above the limit covered by Government securities must be represented by the same amount of specie. Now, if reference is made to the figures given above for the "Banking Department," it will be seen that the Bank on the date given held $90,348,000 of Notes of its own issue, drawn from the Issue Department. The total notes issued being $231,975,000, and of these, $90,348,000 being held by the Bank itself as part of its Reserve, it follows that the notes of the Bank of England in the hands of the public amounted to $141,627,000, and the Bank had $147,975,000 of gold coin and bullion in stock to protect these notes.

No wonder that all over the civilized world a Bank of England note is valued as equal to the sum it represents in gold. If the Bank finds its Reserve gold being drawn upon by the withdrawal of deposits, it may secure some portion of the stock held in the Issue Department by the liquidation of notes, but that operation does not help the Reserve. The plug used to stop the drain is a higher rate of interest, which serves the double purpose of checking the outflow, and attracting balances to secure the higher rate. The prospects seem more favourable for a further advance in the Bank rate, and some financial writers are intimating that the chances are that before this year is out the rate will advance to 5 per cent.

AUSTRALIAN GOLD.—The Minister of Mines for Victoria is reported as saying that, since gold was first discovered in Victoria, there has been unearthed some $1,250,000,000 worth. There is payable quartz in the Alps, some 5,000 feet above sea level, and there is payable quartz at Bendigo nearly 4,000 feet below the sea. In view of these facts he would be a bold man who would place a limit to the output of gold in Victoria.