

TRANSFER OF DEBT AND NEW BORROWINGS.

Objection is being taken to the proposal to transfer from London to New York a portion of the debt of Saskatchewan, Manitoba and Winnipeg, on the ground that it will militate against new borrowings by provinces and municipalities in the American market, and there is talk of a protest to the Dominion Government on the subject. In this connection it is to be borne in mind that the Dominion Minister of Finance is himself considerably interested in the maintenance of facilities for borrowing at a reasonable rate in the New York market, and probably if the present proposals go through, it may be taken for granted that he has been advised by bankers who have the best information on the subject, that the operation, which it is said will ultimately involve \$25 or \$30 millions is not likely unduly to prejudice our new borrowings in New York. In point of fact, it is exceedingly doubtful at present whether the scheme will develop very largely, owing to the natural disinclination of British investors to sell on terms which mean a heavy loss of capital. Probably only a use of compulsory powers of heavy additional taxation on securities which the British Treasury desires to mobilise and are not surrendered to it, will make the scheme assume any very large proportions. It may be taken for granted, moreover, that such compulsion would not be exercised until after consultation with the Canadian Government, and that serious objections made here would be given due attention.

The objection raised, however, illustrates the difficulties which have to be contended with in connection with the novel developments of war finance. The Western proposal appears to have had its origin in the very laudable ambition to aid in righting the sterling exchange situation. From this point of view alone it would doubtless be an admirable thing if a large amount of the Canadian government and municipal debentures now held in Great Britain could be utilised. But there has to be brought into consideration not only the capacity of the American investor to absorb these securities, but his willingness to take these securities plus other new issues made by our needy provinces and municipalities, and the effect of this double dose of securities upon the rate of interest. The banks have had a somewhat similar problem in connection with the credits to the Imperial Munitions Board—how to arrange these, while at the same time maintaining themselves in a strong liquid position, providing for the ordinary demands of the commerce and trade of the Dominion and in addition, for the Dominion's own war credits. The fact serves to illustrate the point that the most obvious course in financial matters to outside critics is not always the easiest or the most desirable.

FOREIGN EXCHANGE IMPROVEMENT.

It is pointed out that by the end of July quotations for New York funds in this market got down to 1-32 to 1-16 premium between banks and the published counter rate eased off to $\frac{1}{4}$ per cent. premium. This is in marked contrast to the quotations prevalent a couple of months ago, and there are some indications that in August and September, as a result of the recent security issues in the United States and of the grain movement, exchange may move further in our favor.

BANKS' CREDIT TO DOMINION GOVERNMENT.

It is understood that a temporary loan of \$30,000,000 is being made by the banks to the Dominion Government. An amount of \$21,000,000 was provided on August 1st and a further amount of \$9,000,000 is to be provided on September 1st. This arrangement is doubtless a preliminary to the new war loan, to be repaid from the proceeds of that loan.

LIFE INSURANCE AND BRITISH INCOME TAX.

Recent discussion regarding the amendment of the British legislation by which an allowance is made for life insurance in making income tax assessments has resulted in a compromise that the relief shall not apply at a greater rate than 3s. in the £ nor to the super-tax on large incomes. Pure endowment policies and deferred annuities are apparently excluded from the relief. The new legislation is not retrospective but refers only to contracts entered into after June 22, 1916. Its effect is that existing assurances made by persons with incomes up to £2,500 a year are left untouched.

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