POINTS ABOUT THE UNITED STATES CURRENCY BILL.

The main points of the new United States currency legislation, which was signed by the President on Tuesday, are as follows:

A complete reform of the vast and complicated machinery of finance, banking and currency will be accomplished by the bill. Its fundamentals provide:

The issue of currency, guaranteed by the Government, based upon notes and bills representing commercial transactions and backed by a gold reserve. The new currency is expected to contract and expand to meet the varied demands of trade.

The concentration of the bank reserves of the country in regional institutions capitalized by the banks of the country and controlled by directors elected by the banks.

The creation of a market for the negotiable commercial paper which forms the bulk of the assets of the banks, where, in times of stress, those assets may be easily and without loss transformed into cash.

The establishment of from eight to twelve great regional banks throughout the country, which will issue currency, rediscount paper and centralize and mobilize the reserves of the local banks.

The creation of a Federal reserve board of seven members appointed by the President, with final powers of control and supervision over the entire system.

The Senate has retained, after a contest, the House plan to have each regional bank a "bank of banks" with the directorate controlled by the member banks, and the capital furnished by enforced subscription of national banks.

Under the House bill the earnings of the regional banks, after paying five per cent. dividends on the stock and establishing a twenty per cent. surplus, would have been divided among the member banks and the Government. The Senate has amended the bill so that the stockholders shall receive a six per cent. dividend, a surplus fund of forty per cent. of the capital shall be established and that the remainder of the earnings shall be divided, one-half going to the Government as a franchise tax and the remainder founding a "depositors' insurance fund" to reimburse depositors in failing member banks.

The Senate has broadened materially the character of the commercial paper which will be eligible for rediscount and which may be used as a basis for currency. Under the House bill only paper maturing within ninety days was available, but the Senate after a contest broadened the provision to include a percentage of six months' paper in order to accommodate smaller banks in rural communities which handle little short time paper.

An important change in national banking methods, embraced in the new law, will permit all national banks except those in New York, Chicago and St. Louis to make direct loans on five-year farm mortgages, up to 25 per cent. of their capital and surplus, or up to one-third of their time deposits. Another provision in the law permits national banks having a capital of $1,000,000 or more to open foreign branches. Similar authority is given to the regional reserve banks, the purpose being to facilitate the development of American trade abroad. The capital of banks expected to etner the system is about $1,200,-000,000; capital of reserve banks (estimated) $110,-000,000; deposits of banks entering system (estimated) $7,500,000,000; probable deposits of reserves with reserve banks, $400,000,000.

LONDON UNDERWRITERS' PROFITS.

Competition too Keen to Permit "Strike" being Arranged—The Public Merely Waits.

The Consol market, writes a correspondent of the London *Economist*, enjoyed mild amusement last month over the alleged "strike" of underwriters, who had determined, so it was seriously declared, to boycott new issues until old ones had been absorbed. To secure co-operation amongst the various rings of underwriters would indeed be a feat. There is the Stock Exchange with its wide circle of clients, of whom some are always willing to do underwriting on a scale of more or less magnitude; there are brokers and jobbers always on the look-out for cheap stock; there are market dealers, not only willing, but anxious, for stocks likely to stimulate business, even though for the time being the new issues depreciate their senior securities. Amongst the brokers' clients will be found banks, insurance companies, trusts, and financial houses, besides the smaller individual customers, and a little army of provincial Stock Exchange members who have ready channels for the absorption of good stock at relatively low figures. Foreign banking houses, too, possess keen appetities for such things, and the catalogue of possible underwriters might be extended, were it necessary to show further the large audience that stands expectant to hear of new issues. The essential point is that the stocks shall be offered at cheap prices. Given this and failing accidents in the world of international politics, a good colonial or similar security can be certain of obtaining underwriters. Probably they will be thankful to get the offer of it, for the possibilities of profit are not at all bad. A reasonably good market after the allotment is pretty well assured, because the stock, offered cheaply to begin with, is bound to attract investors if the price drops to a discount.

A CONCRETE EXAMPLE.

For the sake of concrete example, it may be supposed that (as in the case of the Toronto issue) underwriters get left with 50 per cent. of a loan upon which the commission is one per cent., with an extra ¼ per cent. upon amounts allotted. If the issue price is 96, this means the underwriter gets £50 stock for £46 17s 6d, or 93¾ per cent., equal, of course, to 2¼ discount. The market, after allotment would be about 1¼ to ¾ discount, buyers getting the stock at 95¼, which shows the underwriter the useful profit of 1½ per cent. On £10,000 stock this would be £150, obtainable with comparatively little risk. Taking the price as 1 discount, the gain comes to £100. It is absurd to suppose that underwriters will strike, or enter into a boycotting league, when these results can be achieved. The investor, as usual, determines the matter. If he were to refuse to buy stock at a discount after allotment, the underwriting business would quickly wane in popularity. Occasionally he does decline to be tempted, and when this happens in the case of several consecutive new issues there arise mutterings in the underwriting world, with vague threats of boycott, and so on. These, however, merely serve as hints to the next borrower that he must be prepared to offer more liberal terms; in other words, to bring out his forthcoming loan at such a price as will make subscription—either before allotment or after it—a matter of certainty. Apart from the Brazil loan, and one or two other unlucky incidents, London underwriters have not been doing badly. But the public has learnt as a rule to wait until (in falling markets) new issues go to a discount.