

The Chronicle

Banking, Insurance and Finance

ESTABLISHED 1881.

PUBLISHED EVERY FRIDAY.

F. WILSON-SMITH,
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, AUGUST 18, 1916

FUNDING WAR DEBT.

Presumably the arrangement for the refunding of the temporary loans made to the Dominion Government by the British Government is primarily a measure for aiding in the maintenance of sterling exchange. The amount at present involved in this connection is over \$100,000,000, so that from this point of view the matter is one of no small importance. Incidentally, the operation has the effect of improving the Dominion Government's financial position by wiping out a considerable proportion of the floating debt, which had reached the neighbourhood of \$230,000,000. About one-half of this has been funded with bonds maturing in 1928 and 1945 and bearing interest at the rate of 3½ per cent. and 4½ per cent. respectively—the rate of interest being the same as that paid by the British Government. The funding is thus done on extremely favorable terms to the Dominion, bearing in mind the present level of interest rates.

As the new bonds issued to the British Government are in dollar denominations, it is presumed they will be used as collateral for new borrowings of the British Government in the United States. In any case, it seems likely that the Imperial authorities will prefer to use them as collateral rather than to sell them, seeing that at present the 3½ per cent. bonds could only be realised upon at a considerable discount, and the 4½'s would not realise par. Their ultimate destination after the war doubtless depends upon the tendency of the rate of interest and the needs of the British authorities. It is sufficient for the present that through this well-conceived operation, the credit for the initiation of which apparently belongs to Sir Thomas White, substantial aid is being given in the maintenance of sterling exchange, and a great cut has been made in the Dominion's floating debt.

The Bank of British North America has declared an interim dividend of 30 shillings per share, less income tax, for the half-year ended May 31st last. This is equivalent to a rate of 6 per cent. per annum.

THE FORTHCOMING WAR LOAN.

Speculation regarding the terms of the forthcoming war loan is necessarily more or less idle, pending a definite announcement. In some quarters there is a tendency to anticipate that the terms will be slightly less generous than those of the loan issued last November, in view of the fact that the credit of the Dominion Government in New York now stands higher than it did twelve months ago. Moreover, if the loan is issued on terms more favorable than those of last year's loan, the holders of the latter have the right to turn in their bonds as the equivalent of cash subscriptions at 97½. On the other hand, thus far in his war financing Sir Thomas White has followed the policy of not driving too hard a bargain with the investor—a policy that has been amply justified by its success.

In any case, whatever the terms may be—and they will certainly not be unattractive—it is an obvious duty that everyone who is able should "do his bit" towards making this loan a success by a subscription according to his means. The banks, insurance companies and other large financial interests can be depended upon to do their share. What is desirable is that a good proportion of the loan should be distributed in small amounts among individual investors. Such a permanent distribution of the War Loan would be of the utmost value in helping to maintain the future financial equilibrium of the Dominion.

It is to be feared that in the past a very fair proportion of the savings of our people have been frittered away in speculations of one kind and another. The new War Loan will present the finest opportunity possible to everybody to obtain a safe and remunerative investment for their savings, and at the same time to help in bringing the war to a victorious conclusion. It is hoped that an obvious educational opportunity will not be missed.

BANKS AND FARMERS.*(Continued from front page)*

from time to time to assist industrious farmers to get into the livestock business as quickly as possible. On the question of livestock credit associations it was pointed out that this would largely be a matter of development. There are several associations already organized in the West which are securing a reduction in the ordinary rate of interest, and the bankers are prepared to follow this practice where the organization is of a kind to give added safety to the security of the loans granted.

It will be seen that in this matter of credit, as well as in some minor matters which were also discussed, important progress was made at the conference. The results of this conference are of more than Western interest and importance since the inauguration of a period of closer co-operation and understanding between the banks and the Western farmers cannot but eventually mean much in results to Canada as a whole.