

THE FEBRUARY BANK STATEMENT

The most interesting features of the February bank statement, which has at length made its leisurely appearance, are sharp rises in foreign deposits and foreign call loans and a further steady advance in home savings deposits. The increase in foreign deposits over January 31 is \$24,214,304, and of foreign call loans \$32,366,372. As a matter of fact, these large recorded increases were mainly the result of transactions through the Bank of Montreal. That bank's deposits abroad in February increased \$23,741,110 and its call loans, \$27,688,846. It may be taken then that these increases in the resources of the banks reflect the first payment on the C.P.R. note issue at the beginning of February, and probably also payments in connection with recent sales of municipal securities. Probably the March statement will show still further increases along the same lines, since there was paid last month the second instalment on the C.P.R.'s note issue, and a new Dominion Government loan was launched.

At their level of \$141,143,442 at which they stood on February 28, the foreign call loans stand at a figure which they had never previously reached. Their highest previous recorded total was in December, 1909, when they were \$138,505,379. No less than \$88,618,698 of these call loans are by the Bank of Montreal, the Bank of Commerce coming next with a total of \$17,566,978. This large increase in foreign call loans makes a sharp rise in the banks' ratio of immediate reserves to immediate liabilities, which at the close of February was 26.3 per cent. as compared with 24.6 per cent. at the end of January. It was mentioned in these columns a month ago that the normal ratio of reserve may be taken as about 25 per cent., but that an accumulation of funds during the present below normal period of activity, will result in the reserve ratio going somewhat above the normal, as in fact it did in the course of the recovery from the strain of 1907.

FURTHER RISE IN NOTICE DEPOSITS.

The further rise in notice deposits is a particularly satisfactory feature of the return. They advanced in February by \$5,791,175, making their total at the end of the month, \$640,927,130 or within \$3,000,000 of the record level attained in August, 1912. Compared with the end of February, 1913, they are \$10,500,000 higher. Demand deposits, after their January slide downward, again fell off in February by \$2,294,000 and are over \$12,000,000 lower than at the end of February, 1912. Loans to the business community, both call and current loans, were practically stationary during the month, but the loans to municipalities went up by over a million. The last movement would be probably due to temporary financing by some of the big centres.

FOREIGN FIRE COMPANIES AND THE NEW DOMINION LEGISLATION

Further study of the text of the proposed amendments to the Insurance Act of 1910, in conjunction with the text of that Act show that the situation in regard to the British and American fire companies is not so serious as was at first feared. It was suggested in our issue of last week that apparently one effect of the new legislation would be that all companies transacting a certain business in Canada would not be allowed to control or own in future subsidiaries transacting a similar business and that companies now controlling or owning such subsidiaries must dispose of them within ten years of the coming into force of the new provisions. At first sight the new provisions would seem to affect very seriously those large British and American fire insurance corporations whose organisation in Canada includes subsidiaries which are owned or controlled by them and transact the same business in Canada as the holding companies are themselves licensed to transact. It now appears, however, that there is good reason to believe that this provision and that relating to liabilities in Canada, and the insistence that assets held against total liabilities in Canada consist in, to the amount of two-thirds of the liabilities, of investments in or loans upon Canadian securities (sec. 63, sub-sec. 4), refer *only* to Canadian companies.

The point turns on the interpretation of the opening sentences of the existing section 63 of the Act of 1910, which are as follows:—"Any insurance company, other than a life insurance company, which derives its corporate powers, or any of them, from an Act of the Parliament of Canada, or which is within the legislative power of the Parliament of Canada may"—and so on. It is contended that this phraseology does not include the British and American companies, and this view is supported by the wording of sub-section 2, which gives permission to "any such company" to deposit outside of Canada such funds and securities as are necessary to the maintenance of foreign branches, a provision that would seem to be superfluous or irrelevant if other than Canadian companies are referred to. Should this be the correct interpretation of the statute, as we are assured by competent authorities is the case, the British and American companies have no reason to fear any disturbance of their business as a result of the proposed legislation. It would be an astonishing thing if any such disturbance were to be contemplated, since there would seem to be absolutely nothing to be gained by it in the way of additional protection to policyholders.

We hear that the amendments to the Insurance Act, having received their first reading, are not likely to be proceeded with further this session, but will be deferred until next session. In view of the misapprehensions which have arisen, it would seem desirable that the opportunity should be taken to re-draft section 63, so that there can be no doubt of its meaning.