

for a sum not exceeding \$20,000, every By-law, before it can have any legal effect, must, after due public notice, receive the assent, by public vote, of the ratepayers of the municipality. Further, under the Municipal Acts of the Province of Quebec, the assent of the Governor in Council to the By-law is necessary, and proof is required to be then made that the requirements of the law have been fully met. Though a similar assent of the Governor in Council is not stated in express terms to be necessary under the Act regarding Municipal Institutions of Ontario, although it was under the Municipal Loan Fund Act, such assent is expressly required to every By-law intended to in any way alter or repeal such previously passed By-law authorizing a debt to be incurred. All these limitations and requirements are very important sources of confidence to bondholders, as virtually every debenture liability incurred is required to receive the assent of three tribunals—the Municipal Council, the ratepayers affected by it, and the Governor in Council—and, further, the aggregate indebtedness cannot exceed twenty per cent. of the security, or must be such as not to require a rate of assessment exceeding two cents on the dollar for all purposes.

It is, by the Municipal Acts of both Ontario and Quebec, made a condition precedent to the legality of any By-law authorizing the issue of debentures, that a sinking fund shall be provided for in the By-law. In the Province of Quebec, and virtually under the Municipal Loan Fund Act, this sinking fund is arranged by an annual rate of two per cent.; whilst in Ontario it is required, in general terms, that an annual special rate shall be levied for paying the interest and creating an equal yearly sinking fund for paying the principal. Municipalities in Ontario are permitted to make a certain proportion of the bonds fall due annually, until, at the expiration of the term, the whole debt—principal and interest—is paid off. This latter plan is advantageous in some respects to the municipality, as it compels the corporation to invest annually in its own bonds, in preference to other investments, thus gradually reducing the indebtedness of the municipality, and removing the liability to possible loss through investments in other securities. The plan is, however, objectionable in other respects, as each set of bonds payable in any one

year has a different value from those payable in other years, rendering the bonds thus more difficult of sale, both at first and subsequently. When the loan is very large, it would be impossible to obtain a stock exchange quotation for debentures issued on this plan; and this would be a very serious objection, as it would narrow the circle of buyers to permanent investors only, and but few of them would be purchasers, as even a permanent investor requires to consider the possibility of his having to realize at some future time, and on an unquoted bond it might be almost impossible at such a juncture either to realize or to obtain advances. To the uninitiated, the value of a stock exchange quotation may not be apparent, but such now are the modes of transacting business that this quotation has become a necessity, in order that the particular stock or bond may be constantly before the public, who thus become familiar with its value from day to day, and in order that sellers may at any moment be able to dispose of what they hold. The proper plan for any province, county, or city issuing a large loan, and desirous of paying off a proportion every year, is to make all the bonds payable at one definite time, and to provide for annual drawings by lot of so many bonds as it is desired to redeem. No bondholder knows when his particular bonds may be drawn and paid off; and, therefore, the whole bonds issued have the same value.

An error into which two or three of our municipalities have fallen, is that of bringing out on the English market successive loans within short periods of each other. It is always more to the advantage of a Province or municipality negotiating a loan to anticipate its wants, if possible, and combine them in one issue of debentures. It may be thought that investors will look only at the aggregate indebtedness, but this is far from being the case. So sensitive are the monied public that loans, however good they are, and however small each individually may be, are viewed with some degree of suspicion when they follow each other in quick succession. That each as it comes out is not to be the last becomes the public impression. But apart from this it is to be borne in mind that, in a vast monetary centre like London, a large loan, if really good, will always be more successful than a small one. It is, in fact, well known that the best