

The same process would be followed in the case of the Royal-Traders merger. According to the July bank return the Royal circulation was \$7,270,702, and the Traders circulation was \$3,533,562. Both together amounted to \$10,804,264, while the Royal's capital was but \$7,953,650. Apparently the Royal would have to pay to the Minister of Finance the large sum of \$2,850,614 in the month of August in order to carry through the deal according to law. When money is so scarce the temporary locking up of such a sum in the Dominion Treasury would have a tendency to aggravate the stringency.

With the special deposit of \$1,136,837 made by the Commerce last February, the Circulation Fund balance rose to \$6,953,266; and that figure stands as the high record up to date. The balance shown on July 31, 1912—\$6,371,141½ is the next highest, up to the time of writing of this article. The August statement, however, shows the fund balance to have been at the end of last month, \$6,414,175. It will be interesting to take the banks individually and show the extent to which their contributions to, or rather balances in, the Fund increased during July, 1912.

Bank.	Balance in Circulation Fund.		Average Circulation year to June, '12.	Five per cent. on same.
	June, '12.	July, '12.	June, '12.	June, '12.
Montreal . . .	\$ 700,000	\$ 750,000	\$14,800,000	\$ 740,000
New Brunswick . . .	50,000	50,000	900,000	45,000
Quebec . . .	94,640	115,605	2,300,000	115,000
Nova Scotia . . .	167,682	187,682	3,700,000	185,000
British . . .	1,421,631	1,442,178	4,500,000	*1,032,500
Toronto . . .	188,800	214,000	4,500,000	225,000
Molson's . . .	180,000	200,000	3,900,000	195,000
Nationale . . .	100,000	100,000	1,900,000	95,000
Merchants . . .	272,000	306,000	6,100,000	305,000
Provinciale . . .	52,000	53,560	950,000	47,500
Union . . .	190,000	230,000	4,500,000	225,000
Commerce . . .	630,355	707,000	12,100,000	605,000
Royal . . .	319,300	374,705	6,700,000	335,000
Dominion . . .	228,000	228,000	4,500,000	225,000
Hamilton . . .	140,000	150,000	2,800,000	140,000
Standard . . .	100,000	100,000	2,100,000	105,000
Hochelaga . . .	112,100	119,200	2,400,000	120,000
Ottawa . . .	175,000	175,000	3,600,000	180,000
Imperial . . .	250,259	300,000	5,900,000	295,000
Traders . . .	197,395	203,294	4,600,000	230,000
Sovereign . . .	31,875	31,875		†29,490
Metropolitan . . .	50,400	50,000	990,000	49,500
Home . . .	65,000	65,000	1,200,000	60,000
N'thern Crown . . .	98,800	101,600	2,200,000	110,000
Sterling . . .	46,858	48,752	970,000	48,500
Vancouver . . .	30,272	31,090	380,000	19,000
Weyburn . . .	5,079	12,000	230,000	11,500
Internationale . . .	5,000	24,600	490,000	24,500
	\$5,902,446	\$6,371,141	\$99,210,000	\$5,797,490

*The Bank of British North America is allowed to issue its notes up to 75 per cent. of paid-up capital on the basis of a deposit of 5 per cent. in the Circulation Fund. Thus against \$3,650,000 of its issue it would be required to lodge \$182,500 in the Fund. For all issues in excess of \$3,650,000 the bank is required to lodge cash or Dominion bonds equal to the excess.

†The Sovereign Bank being in liquidation is required to keep in the fund a sum sufficient to retire all its outstanding notes.

It will be seen that the banks have on deposit in the fund some \$500,000 more than is required. Most of this surplus money is owned by the Bank of British North America. As a matter of fact the special deposit which this bank has to make is not

based on the average for the past year, but on the actual amount outstanding. The highest amount outstanding at any time in July was \$4,045,362. So while that amount of notes was out, the bank would be required to have on deposit in the fund \$182,500 plus \$995,362, or \$1,177,862. In order to have freedom to issue notes when currency is specially required by its customers the bank deems it advisable to have a margin of a few hundred thousand dollars.

THE AUGUST BANK STATEMENT.

The publication of the bank statement for August shows clearly the absolute necessity there was for the moving-forward this year from October 1 to September 1, of the date at which the banks could make their legalised excess issues. The nominal margin between the banks' circulation at the close of last month and the limit of the ordinary issue was \$9,600,000. But, as we have before mentioned, in the case of banks with a large number of widely scattered branches, it is an absolute necessity to have a considerable margin for safety's sake, and it will be noted from the statement below that a number of the smaller institutions were at the close of last month practically at the limit of their ordinary circulation. It will also be observed that in the case of seven of the banks their maximum issue coincided with the close of the month, an indication that the pressure was very considerable at that time.

STATEMENT OF THE BANK'S AUGUST CIRCULATION.

	Ordinary Issue authorized August 31.	Maximum Issue In August.	Issue August 31.
Montreal . . .	\$16,000,000	\$15,574,422	\$15,123,634
New Brunswick . . .	1,000,000	963,809	963,809
Quebec . . .	2,500,000	2,399,717	2,397,347
Nova Scotia . . .	4,209,940	3,935,605	3,935,605
British* . . .	4,866,666	4,513,588	4,513,588
Toronto . . .	4,982,040	4,800,000	4,531,352
Molson's . . .	4,000,000	3,975,362	3,663,487
Nationale . . .	2,000,000	1,958,697	1,931,657
Merchants . . .	6,693,883	6,364,896	6,049,966
Provinciale . . .	1,000,000	976,793	944,868
Union . . .	5,000,000	4,606,699	4,548,164
Commerce . . .	15,000,000	12,888,014	12,888,014
Royal . . .	7,976,560	7,284,585	7,284,585
Dominion . . .	4,943,487	4,941,694	4,941,694
Hamilton . . .	3,000,000	2,844,475	2,769,085
Standard . . .	2,287,895	2,262,488	2,230,608
Hochelaga . . .	2,949,590	2,884,719	2,766,939
Ottawa . . .	3,500,000	3,403,925	3,153,335
Imperial . . .	6,472,897	6,358,547	6,358,547
Traders . . .	4,480,000	4,117,770	3,330,514
Metropolitan . . .	1,000,000	977,697	971,317
Home . . .	1,290,529	1,144,100	1,084,605
Northern Crown . . .	2,435,911	2,201,725	2,157,080
Sterling . . .	1,003,864	984,065	984,065
Vancouver . . .	836,935	646,700	614,495
Weyburn . . .	310,000	215,645	207,390
Internationale . . .	1,358,328	1,144,420	1,126,565
Total . . .	\$111,098,525	\$104,370,157	\$101,472,315

*The Bank Act provides that the Bank of British North America may issue its notes up to 75 per cent. of its paid-up capital without special security. It may issue up to its paid-up capital at any time in the year by depositing cash or Dominion government bonds in the Canadian treasury equal to the excess over 75 per cent. At the time when the banks' extra issue is authorized it may issue a further excess equal to 10 per cent. of its combined capital and rest.