

## THE STERLING BANK OF CANADA

The full story of Sterling Bank Service cannot be told in one advertisement. We will be glad to meet any man who is interested - in his office or ours.

Head Office  
KING AND BAY STREETS, TORONTO

75

## The National Bank of Scotland

Limited

Incorporated by Royal Charter and Act of Parliament. ESTABLISHED 1825

Capital Subscribed.....	£5,000,000	\$25,000,000
Paid up.....	1,100,000	5,500,000
Uncalled.....	3,900,000	19,500,000
Reserve Fund.....	1,000,000	5,000,000

Head Office - EDINBURGH

WILLIAM CARNEGIE, General Manager. GEORGE A. HUNTER, Sec.  
LONDON OFFICE—37 NICHOLAS LANE, LOMBARD ST., E.C.4

T. C. RIDDELL, Manager. DUGALD SMITH, Assistant Manager

The agency of Colonial and Foreign Banks is undertaken, and the Acceptances of Customers residing in the Colonies domiciled in London, are retired on terms which will be furnished on application.

ESTABLISHED



1912

## Commonwealth Bank of Australia

acts as bankers to the Commonwealth Government, and State Governments of South Australia, Western Australia and Tasmania.

All classes of GENERAL AND SAVINGS BANK business are transacted in all the principal cities and towns of Australia, Rabaul and London.

Banking and exchange business of every description transacted within the Commonwealth, United Kingdom, Canada, U S.A. and Abroad.

JAS. KELL, Deputy Governor 1920. DENISON MILLER, Governor

## LONDON JOINT CITY & MIDLAND BANK LIMITED

CHAIRMAN:  
The Right Hon. R. McKENNA

JOINT MANAGING DIRECTORS:  
S. B. MURRAY, Esq., F. HYDE, Esq., E. W. WOOLLEY, Esq.

Subscribed Capital	-	£38,096,363
Paid-up Capital	-	10,840,112
Reserve Fund	-	10,840,112
Deposits (June 30th, 1920)	-	367,667,322

HEAD OFFICE: 5, THREADNEEDLE STREET, LONDON, E.C. 2.  
OVER 1,400 OFFICES IN ENGLAND AND WALES  
OVERSEAS BRANCH: 65 & 66, OLD BROAD STREET, LONDON, E.C. 2.  
Atlantic Offices: "Aquitania" "Imperator" "Mauretania"

AFFILIATED BANKS:  
BELFAST BANKING CO. LTD. THE CLYDESDALE BANK LTD.  
OVER 110 OFFICES IN IRELAND OVER 150 OFFICES IN SCOTLAND

# THE EXCHANGE RATE

## IV.—What Controls It?

IN No. II. of this series, we explained why the foreign dollar is a commodity and not money, and in No. III. the inconvenience of settling international debts in gold, which led to the system of Bills of Exchange described below.

Sales of exported goods are usually settled for by the vendor drawing a draft on the purchaser for the sum due, which draft the vendor deposits in his bank.

His banker forwards the draft (in such a transaction called a Bill of Exchange) to the nearest money market, probably, in the case of an American, to New York, Chicago or San Francisco, and in the case of a Canadian to Toronto or Montreal. To do this it is not necessary for him to insure his letter or even to register it, for if the bill were lost, he could get a duplicate.

For instance, if the vendor lives in the United States, he will offer the Bill of Exchange for sale, say, in New York, as Canadian funds, because the draft is payable in Canada.

There may be several persons in the market who want to buy Canadian money to pay for goods bought from us. If there are many such persons and only a few drafts on Canada are being offered, the bidding is keen and the price obtainable for the draft goes up.

If, however, there are few bidders and many drafts, the holders of the drafts may be willing to lower the price they ask in order to obtain their money at once.

This brings us to the influence of the balance of trade on the rate of exchange. We will deal with this aspect of the subject next week in No. V. of the series.

# THE CANADIAN BANK OF COMMERCE

Capital Paid Up - \$15,000,000.  
Reserve Fund - \$15,000,000.

This series, when completed, will be published in pamphlet form. If you desire a copy, write to our Head Office, Toronto.

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