

# The CANADIAN PAPER MONEY JOURNAL



Official Publication of  
The Canadian Paper Money Society

Vol. 26, No. 3

July 1990

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# The CANADIAN PAPER MONEY JOURNAL

Publication of the Canadian Paper Money Society

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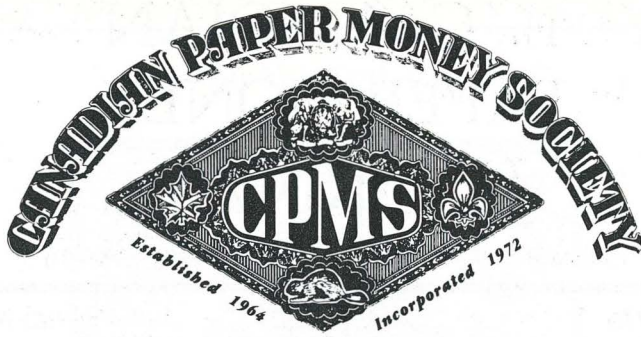
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The Canadian Paper Money Society is a non-profit historical and educational society for people interested in Canadian banknotes, banking history, and other Canadian paper money. Its quarterly publication, the *Canadian Paper Money Journal*, accepts advertising and original manuscripts to consider for publication.

Send advertising and manuscripts to

The Editor, Dr. E. B. Banning  
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The Society is sustained by regular Member's contributions of \$20 per year or \$300, in Canadian funds, as a donation to the Income Trust Fund for Life Membership. For membership write the

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## THE PRESIDENT'S MESSAGE

Among the numerous items which will be subject to the new Goods and Services Tax is club dues. Members who send in their renewals for 1991 prior to September 1st, 1990 will receive one year's additional reprieve from the tax. But there is a way, my fellow Canadians, to escape paying the GST on C.P.M.S. membership IN PERPETUITY!

Simply take out life membership in the society before this coming September 1st, and you will never have to pay the tax on your membership dues.

Now, some will argue that the interest which can be earned on the \$300 life membership fee, taken at an average 10% per annum, is \$30 annually. That is true, and your society will reap that \$30 to its benefit. The argument then goes, "I will invest the money myself, pay the \$20 annual dues and have \$10 left over to spend on rare banknotes." Alas, you cannot do it. Your \$30 interest income is taxable, now that the investment income deduction is gone. After paying approximately \$12.25 income tax, you will have only \$17.75 left, to which you must add a further \$2.25 plus the GST of \$1.40 to pay your dues, plus \$0.39 for a stamp.

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Provided that one enjoys a reasonable life expectancy, life membership makes good economic sense. Having a life membership also makes one immune to periodic increases in dues (one of which is now in prospect), as well as any future increases in the GST rate.

Remember, by taking out life membership you will not only save yourself money, you will also give significant financial help to the C.P.M.S. Just do it before September 1st!

I'm signing up now. How about you?

I look forward to seeing as many members as possible in Vancouver in August.

R. J. Graham,  
President, CPMS

## FROM THE EDITOR'S DESK

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The column for this edition of the Journal should more properly be titled "From The Assistant Editor's Desk," since Ted Banning left it for me to use for my editorial comments. At the time of my writing this, Ted is conducting an archaeological dig in Jordan.

This is my first attempt at editing the CANADIAN PAPER MONEY JOURNAL. Fortunately, however, Ted had forwarded most of the material already typeset and ready for printing, so all I have had to do is to make a few last minute insertions and deletions. As I still have not purchased a computer of my own, yet, this edition is being finalized with the help of Caldraft Ltd. of Calgary, Southern Alberta's premier Apple Macintosh-graphics dealer. In particular, thanks are due to Cathryn Brown and Joan Clark for their assistance.

It would be nice to see as many members as possible at the Canadian Paper Money Society Luncheon and General Meeting. This event will take place during the Canadian Numismatic Association convention, Hyatt Regency Hotel, Vancouver at 12:00 noon, Friday, August 17. It will be well worthwhile attending.

This edition contains an excellent article by R. J. Graham on the Exchange Bank of Canada. Apart from being President of C.P.M.S., Bob is well known for his scholarly knowledge of Canadian paper money. This article should be enjoyed by all students of paper money in Canada and the history which surrounds it.

Stanely Clute

# THE EXCHANGE BANK OF CANADA

R. J. Graham, FRNS, FCNRS

The Exchange Bank of Canada was incorporated during, and in response to, a period of heavy speculation in bank stocks. It suspended payment briefly after a few years of operation, but resumed only to fail decisively less than four years later. In some respects it was typical of the unfortunate and mismanaged banks of its era. But it is somewhat remarkable for two reasons. Historically, it is notable for its political connections, which resulted in an inappropriate level of government assistance, particularly in a futile bid to avert the bank's final collapse. Numismatically, it had something of a penchant for unusual denominations, having included both \$6 and \$25 notes in its one and only issue, that of 1872-73.<sup>(1)</sup>



*\$25 face proof, 1872. The Exchange Bank of Canada was one of the very few Canadian banks to opt for the \$25 denomination instead of the more customary \$20. No issued \$25 notes of this bank are known to have survived (photo: W. D. Allan).*

## A Promising Beginning

The Exchange Bank of Canada was to a large extent the creation of Matthew Hamilton Gault. Gault was born in Northern Ireland in 1822 and emigrated to Canada with his family in 1842. After an unsuccessful attempt at farming and a short career as a grocer in Montreal, he became involved in the insurance business. Here he found his true calling, and became one of the principal founders

1. Other banks issuing \$6 notes include The Molsons Bank, La Banque Nationale and The Stadacona Bank. The Farmers Bank of Canada and The Bank of Hamilton issued \$25

of the Sun Mutual Life Insurance Company of Montreal, and its first managing director. Gault and the consortium he formed obtained a federal charter for Sun Life in 1865 but the firm was not able to commence operations until late in 1871. Meanwhile he combined mortgage and loan interests and banking with his insurance agency, and managed the Montreal branch of the Royal Canadian Bank from 1866 to 1870. Gault has been credited with much of the success enjoyed by Sun Life once it got into operation, his biographers citing his "technical skill, actuarial acuteness and organizational talent".<sup>(2)</sup>

In 1872, the country prospering generally and bank stocks doing well particularly, Gault and his associates concluded that the time was right to start up a new bank. In 1872 the petition of M. H. Gault and others for an act of incorporation was presented in Parliament and soon resulted in the incorporation of The Exchange Bank of Canada, third reading being given on 17 May. The act was passed by the Senate, with amendments, on 31 May. Royal Assent followed on 14 June 1872, and the bank came into legal existence under 35 Victoria cap. 50.<sup>(3)</sup> It may be of interest to note that La Banque Ville Marie, The St. Lawrence Bank, The Bank of Hamilton, The Bank of Acadia and The Maritime Bank of the Dominion of Canada all received their charters in the same year; The Halifax Banking Company came under the Bank Act, and an act was passed for winding up the liquidation of The Central Bank of New Brunswick.

The charter incorporated Matthew Hamilton Gault, Thomas Caverhill, Alexander William Ogilvie, Thomas Tiffin, Edward Kirk Greene, William Rodden and Sir Alexander Tilloch Galt, M.P.<sup>(4)</sup> The deletion of the name of Thomas Edwin Foster in favour of Sir A. T. Galt had been one of the amendments to the charter made by the Senate.

2. Gladys Barbara Pollack and Gerald J. J. Tulchinsky, *Dictionary of Canadian Biography*, vol. XI, s.v. Gault, Mathew Hamilton, pp 335,336.

3. Journals of the House of Commons, vol. 5, 1872.

4. Ogilvie, the milling magnate, was an associate of Gault's from the insurance business. Sir A. T. Galt had been Minister of Finance of the Province of Canada, and was simultaneously involved with another banking project, together with such financiers as Donald H. Smith and George Stephen. Their "Bank of Manitoba" also received its charter in 1872, but never went into operation. Galt soon retired from The Exchange Bank to become a director of The Bank of Montreal.

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The capital of The Exchange Bank of Canada was set at one million dollars, divided into 10,000 shares of \$100 each. The seven men named in the charter were the provisional directors charged with organizing the bank. As soon as \$500,000 of the capital stock had been subscribed, and \$100,000 actually paid in, seven directors were to be elected by the shareholders. The charter stipulated that the head office of the bank was to be located in Montreal. The bank fell under the regulation of The Bank Act of 1871, and, in common with most other banks in the country, its charter would expire in 1881, timed to coincide with the decennial revision of The Bank Act. The bank was given one year from the date of passage of its act of incorporation to obtain the treasury board certificate required to go into business or forfeit its charter<sup>(6)</sup>, this requirement being another of the Senate's amendments and a normal condition applied to all new banks.

No difficulty seems to have been experienced in amassing the necessary capital to go into business, for the treasury board certificate was acquired in short order. The certificate itself was a form printed on a single sheet of paper with the inscription

"Bank Certificate

Under 34 Vict: Cap. V,

It having been shewn to the satisfaction of the Treasury Board that the \_\_\_\_\_ is a Bank having a subscribed Capital of \$500,000 (five hundred thousand dollars), and a BONA FIDE paid up Capital of \$100,000 (one hundred thousand dollars), it is hereby allowed, under Section 7 of the said Act, to carry on in Canada the business of Bankers.

Dated at Ottawa, this \_\_\_ day of \_\_\_\_\_ 187\_

(signed) Minister of Finance and Chairman of the Treasury Board."<sup>(6)</sup>

A regular board of seven directors would then have been elected by the shareholders, and although no minutes of the shareholder's meeting have been found by the author, it appears more than likely that the provisional directors were confirmed as the first official board. Gault was elected president and Caverhill the vice president.<sup>(7)</sup> Many of the shareholders were also interested in Sun Life.<sup>(8)</sup> The bank formally opened its doors for business on or about the first of July, 1872.<sup>(9)</sup> R. A. Campbell was put in charge as the bank's first cashier. Little business was transacted in the first two months however, and the bank did not begin to receive supplies of its own notes until four months after opening.

The first annual meeting of the shareholders, early in July of 1873, was an occasion for congratulations all round, in blissful ignorance of the

5. Statutes of Canada, 1872, 35 Vic. cap. 50.

6. NAC RG 19 vol. 484 file 616.17.

7. Gault's biographers (reference 2) state that he became president a year later, in 1873. However the minutes of the 1873 annual meeting clearly state that Gault was re-elected president at that meeting, and, in any case, the presence of Gault's signature as president, as well as his portrait, on the notes (printed from plates engraved as early as the summer of 1872) can leave little doubt that Gault was in fact the first president of the bank.

8. Pollack and Tulchinsky, op cit.

9. *The Monetary Times and Trade Review-Insurance Chronicle* (hereinafter abbreviated "*Monetary Times*"), 4 June 1875, p 1370.

terrible depression then looming. Gault chaired the meeting, with Campbell, the cashier, acting as secretary. Among the assembled shareholders was George B. Burland, head of the British American Bank Note Company. Burland acquired shares in many banks, obviously with the intention of directing note printing business to his firm.

In the first year since its opening, and, practically, in only ten months of active business, the bank earned net profits of \$55,295.23, with no losses, no notes overdue or under protest. To achieve this on an average working capital of perhaps \$300,000, even in the economic boom times of the early 1870s, seems almost miraculous. Out of this amount came two semiannual dividends of 4% each, payable 1 Jan. and 2 July 1873, the nucleus of a "rest" or reserve fund of \$30,000, and \$1604.40 forward to the profit and loss account. Only one account was lost over the year. Sir A. T. Galt had resigned from the board, having been made a director of The Bank of Montreal. Alexander Buntin was elected to replace him, and he, together with Gault, Caverhill, Tiffin, Greene, Rodden and Ogilvie were returned to the directorate in 1874 and 1875.

The bank's office was already proving much too small for its expanding business. It was reported that the clerks sometimes had 25 or 30 customers lined up waiting to be served. Further, the building offered little security from burglars, and the directors called around day and night, in the expectation of a burglary attempt at any time. Accordingly, a lot was purchased at the corner of Notre Dame and St. Francois Xavier from Hon. C. S. Rodier for future construction. A. W. Ogilvie handled the purchase, the cost to the bank being \$65,000. The bank was subsequently approached by others offering to buy the property at a handsome advance over its cost. Rodier, the vendor, had meanwhile become a substantial shareholder, raising at least the possibility that the land may have been purchased, in whole or in part, with Exchange Bank stock.<sup>(10)</sup>

Over the following year the bank earned net profits of \$104,587.86 on an average working capital of perhaps a little more than \$700,000, although \$861,060 had been paid up by 30 June 1874, the end of the bank's second fiscal year. Two more semiannual dividends of 4% each were paid to the shareholders, and the rest increased by \$25,000. A contingent fund was established with a further \$20,000, and \$3,096.64 was carried forward. Gault reported to the shareholders that

... I have only to remark that the business of the Bank has continued steadily to grow since our last annual meeting. That we have not made as much money as I then expected is also quite true. But owing to the great financial crisis which occurred in New York, and which afterwards affected the great monetary centres of Britain and the Continent a state of affairs which was not anticipated had to be encountered, and money has since become so plentiful that we have not been able to use our funds to the same advantage as usual. However, upon the whole, the report is a very satisfactory one, and all that the shareholders can desire. The prospects for the coming year are encouraging. We are going to have a large and generally abundant harvest. A great deal of money is about to be spent in the

10. *The Gazette*, Montreal, 10 July 1873.

country, and the city of Montreal is also going to expend over three millions of dollars in improvements. I think that our Bank will gather a few of the crumbs.

Over the course of the year since the previous general meeting, The Exchange Bank of Canada opened of the first of what would become several branches, at Joliette, P. Q. Gault informed the shareholders that the new agency "promises satisfactory results" but, as will be seen, the reality fell somewhat short of the expectation and the branch was closed about 1877.

By the summer of 1874 the new head office building was under construction on the former Rodier property. Although completion of the project was not expected until the following May, numerous applications for rental of offices above the banking floor had already been received, and Gault calculated that the rental income received by the bank would very nearly offset the cost of housing the bank.<sup>(11)</sup>

The new building was described as follows in a contemporary account:

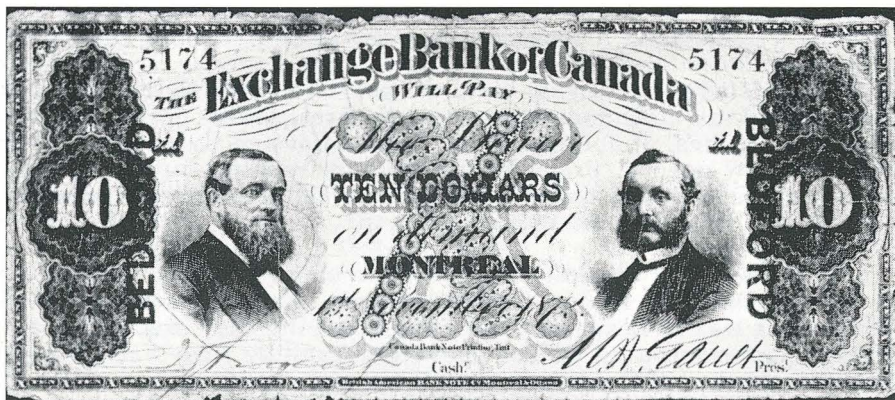
The building erected by the Bank, which is somewhat irregular in shape, is situated on the corner of Notre Dame and St. Francois Xavier Streets, with a frontage of 94 feet on the former and 58 feet on the latter street, and is five stories in height, including basement, being in all 67 feet. The windows on the two first stories have plate glass with circular tops; the outside of the building has an imposing appearance, and is of solid stone construction, 'Italian Palladian' style. The main flat is occupied by the Bank, and has a lofty ceiling (18 feet high), with all the counters and fittings got up in the most elaborate style in walnut, with French polished panels. The vault contains an immense safe, one of Edwards' best construction. A splendid hydraulic hoist has been constructed for the accommodation of the tenants on the upper flats; this is said to be the only one of the kind in the Province of Quebec. The architect, Mr. Wm. Thomas, is an old Torontonain, and is entitled to much credit for the manner in which he has adapted this building to meet the requirements of the bank.<sup>(12)</sup>

By the time the new head office was finished the bank had three branches, having added to the Joliette branch another in the Province of Quebec, at Bedford, in the Eastern Townships, and most recently, its first Ontario branch, at Park Hill. The manager of the latter branch was Donald Ewen Cameron, who was born in 1851 at Beaverton, Ont. Gault was quite candid concerning the motive for opening the branches:

These agencies have been established for the purpose of procuring the circulation of notes which cannot be got to any extent in Montreal. They have already given a very fair circulation; they have made no bad debts as yet, and the Directors are watching them very closely. It is not the intention of the bank to open any more agencies at present, nor until such time as the Directors may consider it necessary to increase the capital of the bank. I may tell you that these agencies are each working on their own capital, the deposits giving them capital enough, and we do not allow them to discount more than the capital they have in hand.

11. *Monetary Times*, 24 July 1874, p. 98.

12. *Ibid.*, 4 June 1875, p 1370.



*\$10, 1872, overprinted BEDFORD and countersigned by the Bedford branch manager, T. L. Rogers, on behalf of the cashier (Photo: Zagon, National Currency Collection).*

Despite what Gault said, the bank was not long in establishing more branches, and that without increasing the capital. If it was true that the branches had made no bad loans, the head office must have been embarrassed at having to write off \$30,000 for its loan losses. Thus the contingency fund of \$20,000 set aside the previous year had entirely disappeared, along with \$10,000 more. The bank nonetheless claimed a profit very nearly as great as that earned the year before, and paid out the usual 8% dividend, in semiannual instalments, to its shareholders. The capital had been fully paid up by 30 June 1875, the end of its fiscal year, so the profit on the year's operations had been considerably smaller as a percentage of capital even though it had not decreased much in absolute terms. No increase was made in the rest fund, the profits remaining after providing for dividends being carried forward.

The shareholders' meeting passed harmoniously enough, the economic downturn providing a more than sufficient reason for the bank's diminished profitability. One shareholder, G. B. Cramp, in moving the traditional vote of thanks to the cashier and other staff of the bank, expressed his confidence in the management of the bank:

The best place to find out when a man is a good sailor is in a storm rather than in a calm, and I think we have found out the capabilities of our directors and officers, (hear, hear) in the trying times which we are passing through. I have no doubt their efficient management under these circumstances will tend to strengthen the opinion of the stockholders and of the public also.<sup>(13)</sup>

A year later, the depression had only deepened. Interest rates had fallen as had the demand for loans, particularly those involving little risk. The bank's profits continued to decline, if only slightly. Worse, almost \$50,000 had to be written off for bad and doubtful debts. The bulk of these losses, director E. K. Greene contended, arose from the suspension of The Jacques Cartier Bank. The dividend declined by

13. *Ibid.*, 16 July 1875, pp 70,71.



*\$6, 1872, overprinted VALLEYFIELD and countersigned by R. A. Campbell, the first of the bank's three cashiers (photo: Zagon, National Currency Collection).*

one percent, to 7%, for the year. The rest fund was increased by \$20,000 but this was only made possible by appropriating the undivided profits of previous years which had been carried forward. One positive development was the enormous growth in deposits, more than forty percent of which bore no interest. The business of the savings department had grown so large that separate offices had to be set up (at the basement level) to accommodate it.<sup>(14)</sup>

## A Bad Choice

The election of directors produced the first change in the board in several years, when James Crathern was elected to fill the place of William Rodden. In July 1876, a short time after the annual meeting of the shareholders, the bank lost the services of the cashier, R. A. Campbell, through retirement. C. R. Murray, Inspector of the Canadian Bank of Commerce, was hired to succeed Campbell.<sup>(15)</sup> As we shall see, The Commerce was well rid of Mr. Murray.

Despite Gault's comment in 1875 that the creation of branches would be put on hold until the bank had its capital increased, by the end of 1876 there were seven branches and agencies compared with three eighteen months earlier. The newest one was projected to open in Hamilton in November. Mr. Counsell, its manager, had formerly been with Stinson's bank, a private concern.<sup>(16)</sup>

The branches and their managers, as of late 1876, are summarized in the following table:

14. *Ibid.*, 14 July 1876, pp 72,73.

15. *Ibid.*, 28 July 1876, p 125.

16. *Ibid.*, 22 Sept. 1876, p 335.

<u>Branch</u>	<u>Manager</u>
Hamilton, Ont.	C. M. Counsell
Aylmer, Ont.	J. G. Billett
Park Hill, Ont.	D. E. Cameron
Bedford, P. Q.	T. L. Rogers
Joliette, P. Q.	D. O. Pease
Quebec, P. Q. (agency)	Owen Murphy
Valleyfield, P. Q. (agency)	D. B. Pease <sup>(17)</sup>

The inspector, George Burn, was appointed to inspect the branches but not the activities of the head office, which fell under the supervision of the directors. The branch managers had again come in for praise at the general meeting of 1876, in Gault's words-

Our agents, I may say, are faithful industrious men, and attentive to their business. They have succeeded remarkably well in escaping bad debts, and have managed their agencies better almost than we have managed the Head Office.<sup>(18)</sup>

Probably Gault was sincere in making this statement. He could hardly have known that within a few months one of those same agents would be in jail for having stolen money from his own bank! And perhaps Gault was also being sincere when, in practically the next breath, he asserted that there was no bogus stock on the books, that every share had been sold *bona fide*. Whether or not that was the truth in 1876, it was not the truth a few years later.

In February 1877 news was made public of trouble at the Joliette branch. The manager, D. O. Pease, a young man from Coteau Landing, had been for some time a stock broker in Montreal, where he was well known. Pease had been speculating in stocks, probably gambling on the depression ending much sooner than it did, and lost heavily. He took about \$5,000 of the bank's funds to finance his activities, against which the bank was supposedly insured. Pease pleaded guilty and was sent to prison for three months.<sup>(19)</sup> The Joliette branch was still operating in July of 1877 but was closed at some time over the following year.

The dividend in 1877 was reduced to 6% for the year. Even this amount exceeded the net earnings of the bank, which were less than half of profits reported in 1876. The dividend was partly paid out of what remained of profits carried forward. \$25,000 had to be taken from the rest fund and placed to the credit of a contingency account to meet any further diminution in the value of securities held against overdue loans and insolvent debtors. As was being done by most other banks in Montreal, the interest rate allowed on deposits was reduced, to 4% per annum in the case of the Exchange Bank.

The matter of the bank's branches arose at the annual general meeting of shareholders. One of them, F. E. Gilman, thought it was odd that the

17. *Ibid.*, 25 Nov. 1876, p 596.

18. *Ibid.*, 14 July 1876, pp 72.

19. *Ibid.*, 23 Feb. 1877, p 959.

Exchange Bank was expanding its network of branches, at a time when most other banks seemed to be pruning theirs. In reply, Gault stated that the bank was not following a policy of expansion. One of the branches, we presume Joliette, had lost money through the "mistakes" of its manager. The others were prosperous. Again, Gault was quite candid about the reasons for having branches:

The fact was that the bank must have agencies in order to make it pay. The circulation in Montreal was not worth having: it did not amount to \$150,000, the total circulation being \$385,000. The bank had circulating agencies at Valleyfield and Quebec, where the business was simply to cash cheques on other banks.

That fifth annual meeting, held 9 July 1877, was the first in which the shareholders were not as compliant as the management might have hoped. Statements of the management were challenged. Why was the value of the bank premises increased so much? (This, the questioner might have feared, could have been a means of disguising losses.) The explanation given by one of the directors, however, was fully satisfactory. The bank had been paying for its new building in instalments, each payment increasing the equity of the shareholders. Furthermore, the bank had purchased its own premises for its branch in Park Hill. Although \$7,000 had been earned from renting offices in the upper stories of the bank, some space remained empty for lack of tenants, a consequence of the depression.

Shareholder Gilman raised the question of why he was able to buy the bank's shares of \$100 par value for only \$75 to \$77, which was almost as low as Merchants Bank of Canada stock, that bank just having written \$2,000,000 off its capital. He never could understand, he said, why the market price of Exchange Bank stock was so low. Vague rumours circulating in the city suggested that The Exchange Bank had not been writing off enough to cover losses, that there were "peculiar" relations between the bank and its directors, and that some of the directors were unloading their stock. The replies were somewhat reassuring. Gault insisted that he still retained his 250 shares, and had just bought some more for his family. Six of the directors held, between them, almost a quarter of the entire stock of the bank, and no director had been divesting himself of shares. The total borrowing by directors from the bank did not exceed \$69,000, well within reasonable limits. The Exchange Bank had, thus far at least, avoided that particular pitfall.

A set of bylaws had been drafted to govern the operation of the bank and again some of the shareholders had objections. The fourteenth clause would set aside \$5,000 annually as remuneration for the president and directors. Three shareholders objected but after some debate the measure passed, almost unanimously.<sup>(20)</sup>

In August 1877 the bank lost its manager at Park Hill, Mr. D. E. Cameron. He was replaced by T. L. Rogers, who had managed the Bedford branch. Cameron was supposedly promoted to the head of

20. *Ibid.*, 13 July 1877, pp 69,73,74.

21. *Ibid.*, 24 Aug. 1877, p 245.

the bank in 1878 to open a private bank at Lucknow, Ont. As an ardent Liberal, perhaps he felt uncomfortable in Montreal working among the directors, most of whom were staunch Conservatives. In 1888 he became Deputy Provincial Treasurer of Ontario. W. A. Hastings was put in charge of the Bedford branch. At some point in the second half of 1878 or the first half of 1879 the bank opened two new branches in Ontario, at Brussels and Exeter. These branches were closed again after only a brief time in operation, two years at most and quite possibly less than one year.

As of mid-1879 the branches and their managers were:

<u>Branch</u>	<u>Manager</u>
Aylmer, Ont.	J. G. Billett
Brussels, Ont.	John Leckie
Exeter, Ont.	W. A. Hastings
Hamilton, Ont.	C. M. Counsell
Park Hill, Ont.	T. L. Rogers
Bedford, Que.	R. Terroux, Jr.
Quebec City (agency)	Owen Murphy <sup>(22)</sup>



\$5, 1872, overprinted EXETER and countersigned by the Exeter manager, W. A. Hastings. The Exeter branch, like that at Brussels, was short-lived. Observe that both this and the \$4 note are of the "pro Cash" variety (photo: Zagon, National Currency

The Joliette branch and the Valleyfield agency were closed at some time before July of 1878. The annual meeting of that year was apparently a quieter affair. Profits had recovered slightly, to almost \$69,000, out of which was paid the dividend, again at the rate of 6% for the year, and, with the help of a further reduction in profits carried forward, the sum of \$10,000 was added to the contingent account. The \$25,000 credited to that account the previous year had apparently been entirely lost. Gault stated his opinion that the bank had made a satisfactory showing under the circumstances, the depression then being in its fourth year. It was difficult, he added, to lend safely the bank's funds, at remunerative rates. Although he

22. Bank of Montreal Archives, Annual Report, 1879, Exchange Bank of Canada.



looked for no early revival of trade, the directors were hopeful that the turning point had been reached, their optimism fuelled by the prospects of an abundant harvest.<sup>(23)</sup>

An ancient biographical sketch of Matthew Hamilton Gault records that he "had for many years given a good deal of serious thought to political questions, and at last the desire to have his voice in the direction of public affairs had grown so strong within him, that he offered himself as a candidate for the House of Commons to the people of Montreal West". Gault ran as a Conservative in 1878, and took up the cause of Sir John A. Macdonald's National Policy. He won the riding by a large majority. Although he seldom spoke in Parliament, his expertise in the areas of finance and commerce was widely respected. He was deeply interested in projects affecting the prosperity of Montreal, completion of the C.P.R. and settlement of the West. Despite poor health, he easily won re-election in 1882.<sup>(24)</sup>

1879 was not a good year for the bank. In February, the cashier, C. R. Murray, suddenly left the country, owing the bank \$30,000. Of this amount, the bank was secured for \$10,000. An attempt was made to have him brought to trial, but Murray had taken refuge in Florida and could not be extradited. After he disappeared it was found that he had been making loans contrary to the instructions of the directors, and on these heavy losses were sustained. The question quite reasonably arose how the directors could have remained oblivious while the cashier was misusing so large a part of the bank's funds.

The extent of the disaster became more fully known when the shareholders held their annual meeting on 14 July. A single dividend, of 3%, was paid in January. The usual July dividend was passed. This was the first time since its formation that the bank was obliged to miss a dividend. The "maladministration of the late cashier" (who, Gault said two years earlier, had given the most unqualified satisfaction) was credited with this result. Profits, allowing for operational costs and interest, were only slightly over \$57,000. Almost \$87,000 in losses were written off, so the bank actually suffered a net loss of about \$30,000 on the year. The whole of the rest, contingent account and profits (after allowing for the dividend) were swept away. There were still other losses not yet provided for, so the capital itself had been impaired. The extent of the encroachment would not be learned until certain securities were sold. These securities included some Montreal Telegraph stock, against which a borrower had obtained a call loan. The customer "came very suddenly to an end", and the stock fell so quickly the bank could not get out of it. The management declined to name the actual amount involved, so it was evidently a serious matter. The bank narrowly missed getting caught with some \$30,000 to \$40,000 of City Passenger stock, but the borrowers in that case were able to repay their loan.

23. *Monetary Times*, 12 July 1878, pp 73,74.

24. George Maclean Rose, *A Cyclopaedia of Canadian Biography*. (Toronto, 1886) pp 431,432.

As a result of the depression more than thirty dry goods houses had failed in Montreal alone, many hardware merchants had gone under and the lumber trade was very depressed. Under the circumstances some losses to the bank had to be expected, but the defalcation of the cashier provided an additional and very wounding blow, especially where public confidence was concerned. Business was finally beginning to recover in 1879, and manufacturing was gradually being nursed to health under the National Policy. The bank was not sharing in the revival, it being very difficult to find safe and profitable investments. About 40% of the capital lay idle much of the year, resulting in the poor earnings recorded.<sup>(25)</sup> The market was unimpressed with the performance of The Exchange Bank, and its troubled stock plummeted to only \$30.<sup>(26)</sup>

## Enter The Bank-Wrecker

The bank acquired a new cashier in the person of Thomas Craig, to replace the absconded C. R. Murray. Craig was Matthew Gault's brother-in-law, and associated with Gault in the Montreal Loan and Mortgage Company. He was no improvement on his predecessor, but the reverse! He had no training as a banker, and better candidates for the position were surely available.

Gault was facing other difficulties in 1879. He resigned as managing director of Sun Life on 31 March over a dispute concerning the insurance company's investments, particularly in The Exchange Bank of Canada and the Montreal Loan and Mortgage Company. By 10 September he had returned, this time in the role of vice-president of Sun Life, and induced the insurance firm to invest substantially in both of his financial firms. He was obliged to resign again after the failure of the bank in 1883.<sup>(27)</sup>

The Mechanics Bank failed on 28 May 1879, and The Consolidated Bank failed on the afternoon of 31 July 1879. The stoppage of the former had no very great effect but the collapse of the Consolidated precipitated something close to a panic. In such a climate, particularly in view of its recent losses, the flight of the former cashier, and the lending of money against speculative stocks as collateral, suspension of The Exchange Bank came as no great surprise. The events which were the direct causes were sustained runs by note holders and depositors, both at the Montreal head office and Hamilton branch. The bank was unable to withstand the strain, despite a loan of \$250,000 provided by The Bank of Montreal (upon the personal guarantee of the directors). Even this cash transfusion was unable to stop the drain of deposits, and, just before noon of 7 August 1879, the bank closed its doors. (As a matter of interest, La Banque Ville-Marie suspended the very next day.)

The manager estimated that the note holders and depositors were safe, but the shareholders were expected to lose forty to fifty per cent of their investments. The opinion was expressed that the bank would not attempt to resume business.<sup>(28)</sup> This proved incorrect, for, on 3 November the bank

25. *Monetary Times*, 18 July 1879, p 100.

26. *Ibid.*, 18 July 1879, p 99.

27. Pollack and Tulchinsky, *op cit.*

reopened. During the three months of suspension the bank's notes, being temporarily irredeemable, were bought up by brokers at 96 to 98 cents on the dollar. The holders were generally expecting to be paid in full so the brokers did not do much business in Exchange Bank notes.

When the doors were opened again the employees were not confronted by long lines of customers waiting to withdraw their savings, or to exchange their bank notes for Dominion notes. Confidence had apparently been restored. During the closure of the bank its position had been substantially strengthened. The note circulation had been reduced from \$488,149 to \$147,775 and public deposits from \$465,125 to \$199,460. The bank had a cash reserve of \$435,461 to meet liabilities to the public of \$347,235. Debts to the bank of \$711,150 had been collected.<sup>(29)</sup>

The bank had survived for the time being, but the discovery of the corpse of a suicide victim on the top flat of the head office building in December<sup>(30)</sup> provided a disturbing end to an abysmal year.

At the beginning of 1880 The Exchange Bank lost the services of its inspector, George Burn. Burn had served for years in Scottish and thirteen years in Canadian banks. After coming to Canada he was a teller with The Royal Canadian Bank for a few years until accepting an appointment with The Canadian Bank of Commerce<sup>(31)</sup> where he worked as a clerk at the head office. After leaving the employ of The Exchange Bank, he became general manager of the Bank of Ottawa and eventually the President of the Canadian Bankers Association. He was knighted by King George V in 1917.<sup>(32)</sup>

At the annual meeting of shareholders held on 12 July 1880, it was stated that the bank, following its suspension the previous year, had curtailed expenses as far as possible. The president and directors had drawn no remuneration for the past two years. The two newest branches, at Brussels and Exeter, had been closed.

28. *Monetary Times*, 8 Aug. 1879, p 182.

29. *Ibid.*, 7 Nov. 1879, p 555.

30. *Ibid.*, 5 Dec. 1879, p 660.

31. *Ibid.*, 1 Dec. 1871, p 430.

32. Victor Ross, *History of the Canadian Bank of Commerce*, vol. 2. (Toronto, 1922) p 72.

## WALTER D. ALLAN

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The suspension had of course interfered with the volume of business transacted, and profits had been severely reduced, to a figure of \$31,106.72. The value of bank premises and furniture had been written down to \$100,000. A deficiency of capital appeared, in the amount of \$341,000. The economy had shown marked improvement and the board recommended that the bank continue in business, though on a reduced capital in order that dividends could once again be paid at some future date. The proposal of one shareholder to wind up the concern did not meet with general acceptance, and instead it was moved and carried that the directors be authorized to apply to Parliament for an act to reduce the capital. The directors suggested that setting the capital at \$500,000 would leave \$100,000 to revive the rest account, and something over for a contingent account, as well as permit the resumption of dividend payments immediately. The directors won the appreciation of the shareholders and the financial press by voluntarily assuming the loss of some \$28,000 on Montreal Telegraph stock, out of their personal fortunes. (This loss had been caused by the manipulation of the absconding cashier, C. R. Murray.) The *Monetary Times* praised the liberality of the directors:

This is a rare and most honorable example...The directors, we believe, were not legally bound to take the course they did. Many men to whom the only obligation is one that can be enforced in a law court, would have declined to assume the responsibility undertaken by these directors. The advantages of having a board composed of men who are both able and willing to undertake responsibility of this kind is hereby made most obvious...Had the Manager been as able and honest as the members of the board, there could be no doubt that the Bank would have been in a flourishing condition. <sup>(33)</sup>

The old board was once again reelected at the conclusion of the meeting. A. Buntin and James Crathern resigned their directorships a short time later<sup>(34)</sup>, possibly to facilitate the reduction of the board to five members, a change that was soon to be made formally.

An act to amend the charter of the bank was passed by Parliament, and was assented to on 21 March, 1881. The capital was reduced to \$500,000, divided into five thousand shares of \$100 each. Each shareholder was given one share of the new stock for every two shares of the old stock held. Odd shares were to be sold by the bank, the proceeds to be paid to the shareholder. The act allowed the board to consist of not fewer than five, nor more than ten, members.<sup>(35)</sup> As has been noted, the bank trimmed its directorate to five members.

A special meeting of the shareholders was held at Montreal on 6 April 1881 to vote on the resolutions which were embodied in the amending act. Without the approval of the shareholders, the act would not go into effect. The motion carried without opposition. It was then announced that the bank would resume the payment of dividends. The first, of 4%, would be paid on 1 May 1881, and the intention was expressed of paying 2% quarterly dividends thereafter.

33. *Monetary Times*, 16 July 1880, pp 69,70,73,74.

34. *Ibid.*, 6 Aug. 1880, p 148.

35. Statutes of Canada, 1881, cap. 36.

The next dividend declared was for 2%, payable 1 August. A financial statement presented at the April meeting showed a surplus of assets over liabilities to the public of \$732,031.24. This was apportioned as follows: capital, \$500,000; rest, \$200,000; profit and loss account, \$32,031.24. A disturbing feature of this statement was an entry of more than \$50,000 for stocks owned by the bank.<sup>(36)</sup> Whether these were stocks received as collateral against defaulted loans, or, worse, shares in The Exchange Bank itself, is not clear.

In July of the same year, The Exchange Bank made a bid to take over the assets of the defunct Consolidated Bank. The shareholders of the latter institution considered the offer was rather lacking in generosity, and declined, accepting instead the overtures of a Montreal stock broker.<sup>(37)</sup>

The bank operated a smaller system of branches in 1882, as follows:

<u>Branch</u>	<u>Manager</u>
Hamilton, Ont.	C. M. Counsell
Aylmer, Ont.	J. G. Billett
Park Hill, Ont.	T. L. Rogers, Jr.
Bedford, P. Q.	E. W. Morgan

The bank advertised its services, "Transacts a general banking business. Collections receive Special and Careful attention, and remittances made on day of payment. Sterling bills of exchange bought and sold, also Drafts on New York and Boston."<sup>(38)</sup>

The bank lost two of its original directors in the passing of Thomas Tiffin and Thomas Caverhill. Caverhill had been vice-president of the bank from its beginning. He was succeeded by Senator A. W. Ogilvie. To take the places of the deceased directors on the board, Alexander Buntin returned and the general manager, Thomas Craig, was made a director. Craig seems to have created quite a favourable impression by having apparently returned the bank to a prosperous condition.

Net profits for the 1881-82 fiscal year were \$97,502, compared with \$80,407 a year earlier. Four quarterly dividends were paid, accounting for \$40,000, and the rest account was increased by \$50,000. Stocks had disappeared from the bank's list of assets, and taking their place were mortgages on real estate sold by the bank. The bank was doing a record volume of business, with deposits of more than \$2.5 million and loans approaching \$3.5 million. Gault expressed his satisfaction with "the high position the Bank has attained in the public estimation and confidence as shown by the increased deposits and larger volume of business". However the deposits had been enticed by offering a higher rate of interest than that generally prevailing, and the loans, as will be seen, entailed an unhealthy degree of risk. The bank's involvement in this type of business

36. *Monetary Times*, 22 Apr. 1881, p 1236.

37. *Ibid.*, 29 July 1881, p 127.

38. *Ibid.*, 21 July 1882, p 59.

was symptomatic more of desperation than prosperity, and served only to make its final crash more spectacular. Share prices were extremely volatile as the bank appeared to make a remarkable recovery. From about \$30 a share as the bank headed into trouble in 1879, the price had risen to as high as \$179 a year before the collapse, and Craig sold Buntin a block of 100 shares at \$170.

The directors, consisting of Gault, Ogilvie, Greene, Buntin and Craig, were unanimously reelected at the annual meeting of 1882.<sup>(39)</sup> Another change in the board, a major one, was not long in coming. In the spring of 1883, M. H. Gault resigned the presidency of the bank because of continued ill health. He died on 1 June 1887. On Gault's recommendation, Henry Bulmer was elected to fill the vacancy on the board. Ogilvie became chairman of the board.<sup>(40)</sup> Craig became president of the bank.

At the annual meeting of 1883 Craig, now both general manager and president, presented financial statements which seemed to show that the bank had overcome practically all its problems and was at the gateway of a limitless future. Net profits for the year after writing off all bad and doubtful debts, Craig stated, stood at \$108,039.06. Not a bad showing on a capital of \$500,000! Four 2% dividends had used up \$40,000; another \$50,000 had been added to the rest account, and the contingent account (a term which Craig seemed to use interchangeably with profit and loss account) had grown by some \$18,000. Loans past due and secured were considerably reduced, and loans past due and unsecured were completely written off (although the amounts, at least those admitted to, had been small).

Two more branches had been closed, leaving but two in operation. The Park Hill branch was taken over by the manager, Thomas L. Rogers, who set up a private bank there. This was against the general trend of events, chartered banks taking over private concerns being the more usual occurrence. The Aylmer, Ontario branch was acquired by The Molsons Bank in May. The principal reason for disposing of the branches, Craig advised, was that it was found that the capital could be used to greater advantage at head office. Gault was well enough to attend the annual meeting and remarked concerning the two remaining branches, that Hamilton had one of the best managers in the country while the manager at Bedford was all that could be desired. He said it was always his policy not to have a large number of branches, but that it was in the best interests of the bank to retain two such good agencies. Craig then added that the Hamilton and Bedford agencies "practically run themselves without much assistance from us". The Bedford branch was purchased by The Eastern Townships Bank in 1883.

More than \$10,000 had been spent repairing the bank building in Montreal. Only \$5,000 had been added to the building account, the balance being written off the profit and loss as an example of cautious valuation.

39. *Ibid.*, 14 July 1882, pp 42,46.

40. *Ibid.*, 6 Apr. 1883, p 1124.



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The building was thus made more attractive to tenants, and the offices not required for the use of the bank had been almost fully rented, returning a very fine revenue to the bank.

The picture presented was a rosy one, and the shareholders seemed contented. Even the interest the bank was paying on its own mortgage had been reduced from 7% to 5-1/2 %. There is a danger in relying upon published reports and balance sheets, in that important information is sometimes omitted or obscured. The true state of the bank, which Craig took pains to conceal, was very, very bad.<sup>(41)</sup>

The stock of the bank had been artificially bolstered by Craig's manipulations.<sup>(42)</sup> Presumably he had used the bank's funds to finance this activity. It is known that when Gault sold his stock after resigning as president of the bank, Craig bought it on behalf of the bank.<sup>(43)</sup> This was a very dangerous thing to do. The bank, as owner of some of its own stock, had effectively reduced its capital and thus the safety of its operations to the public. Further, in the event of failure, double liability could not be called up on shares held by the bank. It was illegal under the Bank Act for banks to lend on the security of their own shares, let alone traffic in them.

The stock in the Exchange Bank was unusually concentrated. More than half of the shares were in the hands of past and present directors together with a few others. The following list of principal shareholders would appear to date from late in the history of the bank but before Gault had purged all Exchange Bank shares from his portfolio. It was published in the *Toronto Globe* of 19 September 1883.

<u>Shareholder</u>	<u>Number of shares</u> (Total issue: 5000)
Alexander Buntin	516
Thomas Caverhill, estate	318
Thomas Craig	541
City and District Savings Bank	257
George W. Craig	190
E. K. Greene	194
M. H. Gault	108
Hon. A. W. Ogilvie	363
Thomas Wilson	170

## The Final Crash

In the spring of 1883 the bank found itself in a liquidity crisis, a fact of which no hint was given by Craig's balance sheet. On 12 April the bank sought and immediately obtained a \$100,000 loan from the government of Canada to meet the withdrawals of deposits. That such

41. *Ibid.*, 13 July 1883, pp 45,46.

42. *Ibid.*, 28 Sept. 1883, p 347.

43. *Ibid.*, 14 Dec. 1883, p 658; 21 Dec. 1883, p 686.



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## SOCIETY AFFAIRS

The following individuals and one club have applied for membership in the Canadian Paper Money Society.

### New Members

969	Ron Lemish	Verdun	Quebec
970	R. A. Chorzepa	Mississauga	Ontario
971	Paul Brittain	Cherryville	U.S.A.
972	Barry Cherriere	Hamilton	Ontario
973	William D. Riecken	Barrhead	Alberta
974	Alfred Reid	Millville	New Brunswick
975	Peter k. Lau	Richmond	British Columbia
976	Barry MacDonald	Halifax	Nova Scotia
977	Michael Tardif	Toronto	Ontario
978	Alan Tedworth	Vancouver	British Columbia

### Transferred to Life Members

968	Jeffrey Hoare	L.M. 50
560	R. J. Graham	L.M. 51

### Reinstated

509	Graham Neale	Ottawa	Ontario
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Dick Dunn, Secretary Treasurer □

*(Continued from p. 82...)*

creditors of the bank and the Conservative Party of Sir John A. Macdonald. The loan was entered on the books as a deposit. The outflow of funds continued undiminished, and on 16 April the bank asked for another \$100,000 loan. This was received on 17 April as a deposit. It too was soon gone. On 21 April the bank applied for yet another \$100,000 loan. This time the government declined until one of the directors, Senator Ogilvie, undertook to make himself personally responsible for the third loan on 11 May. The bank received the money on the same day, again as a deposit. The other directors in turn had to guarantee personally the \$100,000 loan before Ogilvie would hand over the cheque he had just brought from Ottawa.<sup>(44)</sup> The Province of Quebec also deposited \$100,000.

The bank had also received deposits from the federal government in the ordinary course of business. But even greater sums had been borrowed from other chartered banks. One loan, from the ill-fated Federal Bank of Canada, was backed by \$92,555 Exchange Bank

44. NAC, RG 19 vol. 42.

notes. These were not considered issued for the purposes of circulation figures, but were held by the Federal Bank as collateral for part of a loan, to be returned when the loan was paid off. By December 1883 there remained a total of very nearly half a million dollars unpaid on loans from various banks. As these loans, taken at high rates of interest, and the rapid loss of deposits became known to money brokers, the price of Exchange Bank stock fell rapidly.

The Exchange Bank's need for huge amounts of borrowed money to meet withdrawals by depositors has been established. We must now examine the causes of the liquidity crisis. Craig's manipulation of the bank's stock to unrealistic prices has been mentioned. He borrowed very heavily from the bank on his own account, possibly for this purpose. At one point the amount of his personal indebtedness to the bank was put at about \$226,000. Besides his stock market activity, Craig had a mansion built for himself at a cost of \$55,000. He had taken the precaution of putting it in his wife's name. The directors neglected to inquire into the source of his funding or whether he was wealthy enough to justify so large an expenditure. By December 1883 the amount owed to the bank by its own directors and not yet repaid was some \$670,000. These loans, which included Craig's own borrowing, were unsecured!<sup>(45)</sup> No mention of such extravagant lending was made in Craig's balance sheet of 30 June 1883.

The principal cause of the bank's cash flow problem however was the lock-up of large sums in loans which should never have been made. It was also undertaking too large a business for the amount of its capital. Many of its loans had been condemned by conservative bankers both in terms of the amounts involved and the financial responsibility of the borrowers. The bank had earned a reputation for assisting enterprises which otherwise might have languished, and to that extent proved to be a public benefit, but this contribution to the development of Canadian manufacturing was made at far too great a risk to the bank and its creditors.

Although they should have known better, the directors expressed their unbounded confidence in the future by buying up more shares of bank stock almost to the day of its final collapse.<sup>(46)</sup> The value of the stock had dropped to \$62.50 in September 1883. They apparently intended to arrest the slide in the market price of the stock, with a view to reselling it and reaping a handsome capital gain at some later date.

Once again the directors seemed to have been caught napping. One might have thought that they would have learned to keep a closer watch on the business of the bank following the defalcation of Murray, the former general manager. But they seemed to have placed unlimited trust in Craig. Indeed, since Craig was put in charge the books of the bank had never been audited, nor the branches inspected! It is little wonder that Craig was able to squander the resources of the bank on such a grand scale.

45. *Monetary Times*, 7 Dec. 1883, p 629.

46. *Ibid.*, 21 Sept. 1883, pp 320,321.

The position of the bank had been so weakened by the depredations of its chief executive officer that it finally crashed in ruins. It had remained open for business as usual until noon on Saturday, 15 September 1883. The directors determined that the cash reserves of the bank were no longer capable of meeting the demands upon them. Accordingly the bank did not open its doors the following Monday, so the bank is considered to have failed on that day, 17 September 1883.

The bank opened the next day, only to redeem its notes when presented by the public in small amounts. Brokers and others with large amounts of notes were turned away. On Tuesday amounts up to \$20 were redeemed, but this modest limit was reduced to \$10 on Wednesday.<sup>(47)</sup> A short time later the bank ceased to redeem its notes altogether.<sup>(48)</sup> Note holders had to submit to a "shave" of about 10% if their circumstances required that the notes be sold to a broker. By December the notes were fetching 95 cents on the dollar.<sup>(49)</sup> Those who could afford to hold on to their notes were pretty well assured of being paid in full out of the proceeds of the liquidation of the bank, since the circulation, which was not very large, formed the first charge on the assets.

## Liquidation

By 18 January 1884 the liquidators who had been put in charge of winding up the defunct bank had not redeemed a single note, but had collected enough cash to pay about half of the outstanding circulation. They decided not to call in the notes until they had sufficient funds to pay it all.<sup>(50)</sup> Just over a month later they advised the minister of finance that they were just about ready to commence redemption of the circulation to the extent of \$100,000.<sup>(51)</sup> In due course all notes presented were paid in full. By January of 1885 virtually the entire circulation had been redeemed. A time limit was set: after 1890 the notes became worthless. Notes were very occasionally discovered much later, but the finders were disappointed. A branch of The Merchants Bank of Canada sent a \$5 note of the Exchange Bank to the finance department as late as 1913, in the vain hope of redemption.<sup>(52)</sup>

It is rather astounding, but true, that Thomas Craig was left in charge of the bank after its failure. Another, very different, financial statement was made up to 17 November 1883. Of the assets, including overdue loans and overdrawn accounts, the directors estimated \$166,600.00 to be doubtful and \$642,932.46 to be unequivocally bad. Writing these off left an apparent surplus of just \$10,810.71, after using up the entire capital and rest.<sup>(53)</sup> What a contrast this makes

47. *Ibid.*, 21 Sept. 1883, p 321.

48. *Ibid.*, 28 Sept. 1883, p 347.

49. *Ibid.*, 7 Dec. 1883, p 631.

50. NAC RG 19 vol. 3039, letter of E. J. Barbeau to J. M. Courtney, 18 Jan. 1884.

51. *Ibid.*, letter of Arch. Campbell to minister of finance, 19 Feb. 1884.

52. NAC, RG 19 vol. 3293. Letter of Merchants Bank, Preston, to minister of finance, 2 Jan. 1913.

to the cheerful but false statement of 30 June!

With every revelation the incompetence and recklessness of Thomas Craig became more apparent. First came the suspicions, well founded, of illegal stock transactions and submitting false returns to the finance department. Then came word of his very deep indebtedness to the bank. But when James Fletcher threatened civil and criminal proceedings, Craig really began to worry. Fletcher had obtained a loan from The Exchange Bank in 1882 on the security of Merchants Bank stock. The shares were made to G. W. Craig in trust, but he in turn handed them over to Thomas Craig, who pledged them with The City and District Savings Bank as collateral for another loan. Fearing arrest, Craig first went into hiding, then followed the path of his predecessor into the United States, where he was safe from extradition and prosecution.<sup>(54)</sup> He subsequently made a brief appearance in Bedford, P. Q., but returned to his refuge. He became a manufacturer in Brooklyn, N. Y.<sup>(55)</sup>

The liquidation of the bank got off to a poor start. E. K. Greene, A. W. Ogilvie and Archibald Campbell were appointed liquidators. Both Greene and Ogilvie were directors, legally responsible for the failure, and it was alleged that Greene owed the bank \$16,000. Greene denied it, explaining that the account was really Craig's. In any case, neither Greene nor Ogilvie should have been named as liquidators.<sup>(56)</sup> Campbell met with general approval, having had previous experience in the liquidation of The Consolidated Bank. The two directors were subsequently replaced by Messrs. Darling and Mathews. After a while the depositors, who had formed their own committee, expressed grave objections to these two. These paid liquidators were needlessly using up the assets of the failed bank through their salaries, Campbell having declared that he could manage quite well alone. What was much worse, these two liquidators were accused of secretly working on behalf of one faction of the shareholders, identified as the Crathern and Caverhill interest, and against the interests of the creditors.

Liquidator Darling had certainly blundered, whether deliberately or through incompetence, in making double liability calls on the shareholders. Whatever the case the result was the same. The calls were made too close together, against the better judgment of Campbell and expert legal advice, and could not be legally enforced. The first call, of 20% due 1 May 1884 was followed by another of 10% due 31 May. These were considered to be 29 days apart; the law required a minimum of 30 days. A third call, of 20%, was due on 30 June. The Crathern-Caverhill group paid only 1-1/2 % by the end of December 1884 of their double liability, while other shareholders had paid in cash about 25%. Most paid up voluntarily but the major shareholders refused to pay until compelled to do so by the courts. No such compulsion would be possible until Darling's bungling was rectified,

53. *Monetary Times*, 7 Dec. 1883, p 629.

54. *Ibid.*, 11 Jan. 1884, p 770; 1 Feb. 1884, p 848.

55. NAC, RG 19 vol. 482, deposition of Thomas Craig, 13 May 1897.

56. *Monetary Times*, 7 Dec. 1883, p 629.

a course of action which the others wanted to take in July 1884. This Darling staunchly resisted, insisting that he had been right all along, other opinions notwithstanding.<sup>(57)</sup> As a result the process of settling the affairs of the bank dragged very slowly for the entire year of 1884.<sup>(58)</sup>

The creditors prepared a petition to the Superior Court asking that Darling and Mathews be replaced by two of their own number, who offered their services at no charge. Darling was replaced by I. H. Stearns, but Fred Mathews was still a liquidator at the time of his death in 1888.<sup>(59)</sup> The intervention of the creditors did achieve some beneficial results. The liquidators were prevented from paying themselves as much as they pleased and the payment of double liability by cheques on the shareholders' deposits was stopped. They also planned to contest the government's claim for priority in payment of its loans and deposits, and in this they appear to have succeeded.

Despite the double liability fiasco, there was some progress to report. The Exchange Bank building in Montreal was sold in the summer of 1884, to the British Empire Mutual Life Assurance Company.<sup>(60)</sup> Timber leases which the bank owned were sold late in 1886, apparently with some difficulty.<sup>(61)</sup> The liquidators sold the Corriveau Silk Mills, but let the business go too cheaply, and the purchasers were able to resell at a considerable profit.<sup>(62)</sup> There remained many assets in the form of debts owed to the bank that the liquidators were unsuccessful in realizing, as well as parcels of real estate in Portage La Prairie. It was planned to sell off these assets by auction on 6 Dec. 1887. However the sale was postponed for very nearly four years. Judgments and claims totalling about \$1,000,000 nominal value fetched only about \$4,700. A claim of \$259,000 stood against Thomas Craig; it was sold to one Jas. Baxter for \$25.<sup>(63)</sup>

Distribution of the proceeds of liquidation and double liability collected from the shareholders was protracted. The first dividend was paid in February 1885 and the very small final dividend was distributed in April 1893.<sup>(64)</sup> There were, of course, other dividend payments over the eight years in between. Altogether the creditors, who were depositors for the most part, received 66-3/8 % of the amounts due them. In the final analysis, the creditors lost about \$742,000. Noteholders were reimbursed in full, provided that they turned in their notes for redemption before 1890, when they became worthless. The shareholders lost the full amounts of their investments, plus whatever the liquidators had been able to collect from them under the double liability clause.

57. NAC, RG 19 vol. 3039, file 3015, Extracts from evidence; Circular to the creditors, 31 Dec. 1884.

58. *Monetary Times*, 23 Jan. 1885, p 830.

59. *Ibid.*, 16 Mar. 1888, p 1156.

60. *Ibid.*, 1 Aug. 1884, p 128.

61. *Ibid.*, 26 Nov. 1886, p 604.

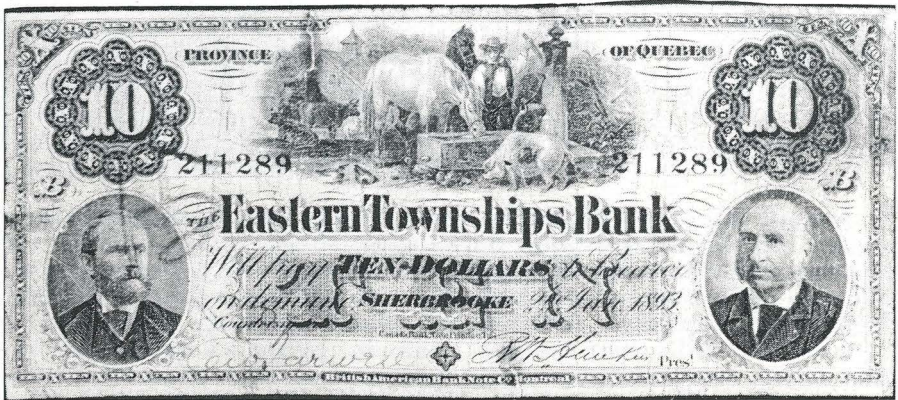
62. *Ibid.*, 31 Dec. 1886, p 752.

63. *Ibid.*, 20 Nov. 1891, p 602.

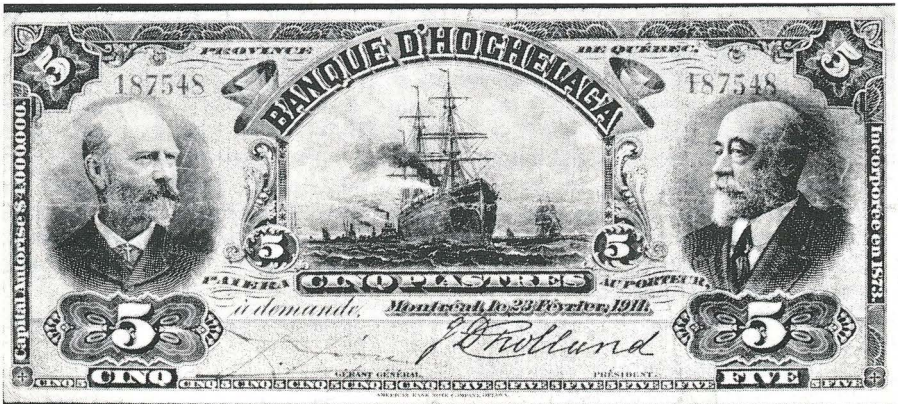
64. *Ibid.*, 14 Apr. 1893, p 1230.

## RECENT ADDITIONS TO THE NATIONAL CURRENCY COLLECTION

In this regular feature, with the help of J. Graham Esler, Chief Curator, we will present one or two recent acquisitions at the National Currency Collection of the Bank of Canada.



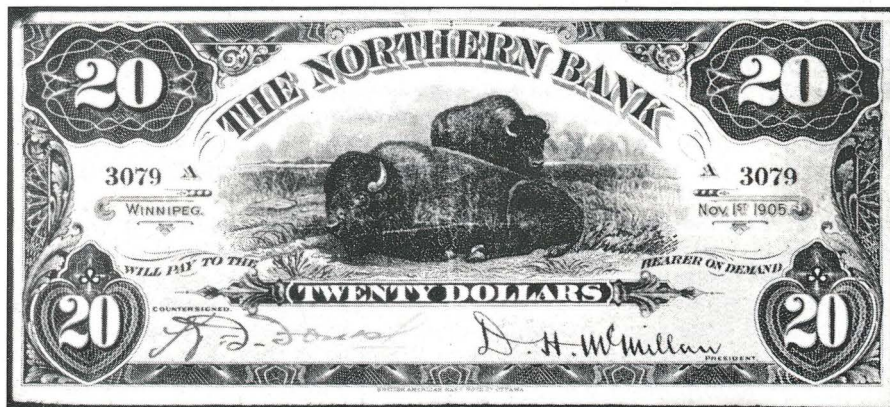
*The Eastern Townships Bank, \$10, 2nd January 1893; B211289. Previously lacking in the National Collection; ex-Carter.*



*La Banque d'Hochelaga \$5, 23 février 1911; 187548. Previously unknown as an issued note; ex-Carter.*



La Banque Nationale. \$6.00, 8 mai 1970: Stamped with two Ms. Previously unknown; Ex-Carter.



The Northern Bank. Nov. 1st 1905: A3079. Previously unknown as an issued note; Ex-carter.

The federal government was one of the largest creditors. It will be recalled that, in 1883, when The Exchange Bank of Canada was getting into very serious trouble, the government extended to it three loans of \$100,000 each, which the bank treated as deposits. The third loan was guaranteed by Senator Ogilvie personally. The bank intended to repay this third loan first, but somehow it was the first which was repaid. On 9 July 1883 the bank paid \$50,000 on the first loan, and on 16 August another \$50,000 was paid. When the bank failed, the amount owed to the government was \$237,840.24, consisting of the other two loans and a lesser sum deposited with the bank in the ordinary course of business.<sup>(65)</sup>

The government got a ruling that its claim was to take precedence over the note holders<sup>(66)</sup>, but this seems to have been overturned after being challenged by the other creditors. The department of finance in the end received its dividends out of the liquidation with no more rank than the ordinary depositor. The amount owed by the bank to the government exceeded the total dividends paid by \$77,337.03. For this amount it was decided, many years after The Exchange Bank had disappeared, to sue Senator Ogilvie on the basis that he had guaranteed the final \$100,000 loan to the bank.

Some of the other directors became entangled in legal troubles during the liquidation. Alex Buntin and Henry Bulmer were charged with having made undue preferences for themselves in the bank's affairs. A grand jury found no cause for prosecuting Bulmer but returned a true bill against Buntin.<sup>(67)</sup> Although Buntin returned the amount of the preferential payment, he was still found guilty and sentenced to ten days in jail.<sup>(68)</sup>

## Conclusion

The failure of The Exchange Bank of Canada did not surprise close observers of the financial sector, nor did it particularly unsettle the banking community. The business of the bank was not large enough for the failure to disrupt the economy beyond the individuals directly concerned. Some industries which had been supported by the bank fell into trouble. The Montreal Manufacturing Co. was one such example, and it had to call a meeting of its creditors.<sup>(69)</sup>

The disappearance of The Exchange Bank from the rather crowded roster of Canadian banks was likened to "the bursting of a festering sore in the human frame. The bank was nothing but a cancer in our financial system".<sup>(70)</sup> This assessment might possibly be just a trifle harsh. Had a general manager of unassailable integrity, thorough training and keen competence been hired, it is entirely possible that the bank could have remained in business, earning respectable profits for decades longer. Even after the defalcations of the bank's

65. NAC, RG 19 vol. 482.

66. NAC, RG 19 vol. 3039.

67. *Monetary Times*, 12 Sept. 1884, p 282.

68. *Ibid.*, 5 Dec. 1884, p 641.

69. *Ibid.*, 21 Dec. 1883, p 680.

70. *Ibid.*, p 684.



second cashier and one of its branch managers, after the years of depression and even the suspension of 1879, recovery might well have been possible had the bank been in the right hands. By way of comparison, The St. Lawrence Bank got into severe trouble in the depression of the 1870s; yet it was able to reorganize, work its way out of difficulties, and generally prosper for more than half a century as The Standard Bank of Canada. But under the leadership of Thomas Craig there was no possibility of any outcome other than disaster for The Exchange Bank of Canada.

The list of judgments (i.e. claims against debtors) which the liquidators sold by auction still survives.<sup>(71)</sup> It consists of four pages of names, addresses and amounts owed. Although it is obviously dangerous to read too much into this list, it may still be used to give some crude estimate of how the bank's lending was distributed. Although the bank had borrowers in Ontario, Quebec, New Brunswick, Nova Scotia and the United States, it is clear that most of its lending was done in the Province of Quebec. Of the list of unpaid debts, 62% were in Quebec. Although it is true that, for the latter part of the bank's history, the majority of its branches were located in Ontario, only 27% of the listed debtors were in that province. Manitoba had 5%, New Brunswick had 4%, and Nova Scotia and the United States shared the small remainder. This distribution is consistent with the established fact that the branches were operated primarily to circulate the notes of the bank. Any lending by the branches was on the basis of local deposits. All of the capital was employed by the head office. Of the unpaid debts, the two largest, accounting for more than \$500,000 between them, were from Montreal. One of these was incurred by Thomas Craig. The three next largest, each in the \$30,000 range, were also from Montreal. All of the other debts ranged between \$10 and \$8640. From the perspective of dollar amounts rather than numbers of borrowers, the preponderance of the bank's lending in Quebec appears even more overwhelming.

Although The Exchange Bank of Canada is thought of as having been an English-speaking institution, about 20% of the names on the list appear to belong to Canadians of French ancestry.

## Catalogue Of The Note Issues

The Exchange Bank of Canada issued only one set of notes, in denominations of \$4, \$5, \$6, \$10, \$25, \$50 and \$100. All engraving and printing was performed by the British American Bank Note Company, whose head, George B. Burland, was a prominent shareholder. (He was also one of those who would not pay up his double liability obligations, in ready cash, during liquidation until compelled to do so by the courts. He had attempted to pay with a cheque on his frozen deposit account, but this was ruled unacceptable.)

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71. Bank of Montreal Archives, List of Judgments, Exchange Bank of Canada. 4 pp, 1887.

The denominations \$4, \$5 and \$6 are dated 1 Oct. 1872, the \$10 and \$25 1 Nov. 1872, and the \$50 and \$100 2 Jan. 1873. Four sets of plates, each consisting of face, tint and back plates, were engraved.

They are believed to have been arranged as follows:

\$4.4.4.6	A.B.C.A
\$5.5.5.5	A.B.C.D
\$10.10.10.25	A.B.C.A
\$50.100	A.A

Some readers may be puzzled by the issue of the \$6 denomination. This was merely done to evade the provisions of the Bank Act of 1871 which removed the right of issue of notes under \$4 from the banks falling under its regulation. The intent of the act was to promote the use of \$1 and \$2 Dominion notes. By issuing the \$6 note the bank was able to increase its own circulation, and therefore its profits, by minimizing the payment of \$1 and \$2 Dominion notes, while remaining within the letter of the law. The amendments to the Bank Act in 1880 removed the loophole, constraining banks to issue notes of \$5 and its multiples only. Why the bank chose to issue the \$25 denomination instead of the customary \$20 remains something of a mystery.

Notes issued by the various branches were overprinted with the name of the branch in blue capital letters. Branch overprints which have been reported are AYLMEER (Ont.), BEDFORD, BRUSSELS, BRUSSELS further overprinted with a large blue "X", EXETER, HAMILTON, PARK HILL and VALLEYFIELD. The Brussels branch was closed after a brief time in operation. The large "X" sometimes found over the word "BRUSSELS" was probably added so that the notes could be issued or reissued at other branches. It is possible that notes bearing other branch overprints were also further overprinted with an "X" as those branches were closed, to permit the continued use of the notes elsewhere.

The purpose of overprinting the notes, or domiciling them, was to make them redeemable only at the branches which issued them. This practise helped prevent the embarrassment of one branch by the presentation for payment of a large amount of notes collected from many branches. Each would need to keep on hand only enough specie and Dominion notes to deal with some proportion of its own circulation. The domiciling of bank notes was finally abolished by the Bank Act revision of 1890.

Overprints in the form of large letters have also been reported. The letter "A" or "E", overprinted twice on certain notes in large blue letters,<sup>(72)</sup> might possibly have been used to identify notes issued by the Aylmer and Exeter branches. Other notes have been overprinted with a purple "C" within a circle, or a blue "L".<sup>(73)</sup> The purple "C" was carelessly applied, probably by a rubber stamp, and may be nothing more than a stray mark. The connection of these letters to any branches is not obvious, to say the least.

72. Terence Fredricks, personal communication.

73. *The Charlton Standard Catalogue of Canadian Bank Notes*, 2nd ed., p 111.

The connection of these letters to any branches is not obvious, to say the least.

All notes bore the engraved signature of the president, M. H. Gault, in the right signature space. The left space was filled in with the manuscript signature any one of the cashier, the inspector (George Burn), or one of the branch managers. On most of the notes examined the left signature space is engraved with the label "Cash" but on some of the higher numbered \$4 and \$5 notes it is labelled "pro Cash". The word "pro", meaning "on behalf of", was added at some late stage during the issue of the notes, creating minor varieties of these denominations. On notes lacking the engraved "pro", in cases where someone other than the cashier (general manager) signed, the signature is generally followed by a manuscript "p".

In all cases the notes are printed in black with green tints and green backs. The backs, although different for each denomination, in all cases include a large numeral counter at each end, lathework and the bank name, and a beehive amid flowers vignette at the centre. The face of each denomination depicts Thomas Caverhill, vice-president of the bank until his death in 1881 or 1882, at the left, and Matthew Hamilton Gault, president until 1883, at the right. Most denominations have vignettes, often allegorical, at the centre: a seated "Justice" figure, with sword and scales, on the \$4, a seated female with symbols of industry-gears and a steam engine governor, on the \$5, and a paddlewheeler under steam on the \$6. The \$10 and \$50 have only counters at the centre, an ornate Roman numeral X in the case of the \$10. The \$25 has a most intricate central vignette, in which one sees some rather surprising things. A chubby allegorical child, scantily covered in loose drapery, sitting on bags and bales of produce, is most prominent. The child sports a winged helmet, and holds a caduceus in the right hand. Nearby sits a potent looking jug of liquid. In the background are depicted numerous forms of transportation. At the left there may be seen a horse, people and barrels, a telegraph pole, a train heading left and a steam-assisted sailing ship making rapid progress to the right. At the right one sees what appear to be Viking ships and an Arab trader, seated in front of a camel, of which only the head and neck are visible, the rest of the camel having occupied the Arab's tent! The central vignette on the \$100 features a seated woman pouring water from a large container, adding to the already ample supply of water in her environment.

A census of all notes of this bank which have come to the author's attention follows. It is very likely incomplete. An asterisk (\*) following the manuscript signature will indicate that the note is engraved "pro Cash" in the left signature space; otherwise it is engraved "Cash".

Denom.	Number	Left Signature
NOTES WITH NO OVERPRINT		
\$4	4343/A	R. A. Campbell
	19714/B	Geo. Burn*
\$5	11029/B	R. A. Campbell

74. There is a slight discrepancy of \$1.19 in the published figures, probably a typographical error.

	11693/B	unknown
	25458/C	Geo. Burn*
OVERPRINTED AYLNER		
\$4	12129/B	J. Glanville Billett
\$5	15026/C	J. Glanville Billett
	19121/D	unknown
\$10	5629/A	J. G. Billett
OVERPRINTED BEDFORD		
\$10	5174/A	T. L. Rogers
OVERPRINTED BRUSSELS		
\$5	23680/C	John Leckie*
	23747/B	John Leckie*
	23816/C	unknown*
OVERPRINTED BRUSSELS <u>AND X</u>		
\$4	20900/A	John Leckie*
OVERPRINTED EXETER		
\$5	24722/D	W. A. Hastings*
OVERPRINTED HAMILTON		
\$4	14785/C	illegible (heavily worn)
\$5	18711/D	C. M. Counsell
\$10	3432/A	R. A. Campbell
OVERPRINTED PARKHILL		
\$5	13361/C	D. E. Cameron
\$6	10490/?	D. E. Cameron
OVERPRINTED VALLEYFIELD		
\$6	3282/A	R. A. Campbell
OVERPRINTED A		
\$5	21955/C	Geo. Burn*
OVERPRINTED E		
\$10	7890/A	Geo. Burn
OVERPRINTED L		
\$5	20791/A	Geo. Burn
STAMPED C, IN CIRCLE		
\$5	0194/C	R. A. Campbell

All notes of The Exchange Bank of Canada are very scarce, and fortunate is the collector who possesses even one! Surviving examples of the higher denominations, \$25 and up, are unknown to the writer except as face and back proofs.

## Acknowledgements

It is a pleasure to record the assistance of several individuals and institutions in the preparation of this account of The Exchange Bank of Canada. Richard Gross and Terence Fredricks permitted me to examine notes in their respective collections. Freeman Clowery, Archivist of the Bank of Montreal, made available several documents used in the preparation of the text. The photographs of notes used to illustrate the article were provided by the Bank of Canada, National Currency Collection, with photography by J. Zagon, and by Walter D. Allan. The records of the Bank, prepared by Sheldon S. Carroll, were also consulted to obtain much of the data concerning surviving notes. Additional references to notes were provided by the Charlton Publishing Co. and by Walter Allan.

# Appendix

## State of the Exchange Bank of Canada

30 June 1873

### LIABILITIES

Capital Stock Paid Up	\$439,360.00
Rest	30,000.00
Profit and Loss a/c	1604.40
Int. and Exch. reserved	4337.79
Div. Unclaimed	56.00
Div. payable 1 July	15,799.00
Notes in Circulation	265,041.00
Deposits	334,561.91
Due local banks	1,143.61
Due foreign agents	<u>80,316.71</u>
	\$1,172,120.48

### ASSETS

Specie	\$11,710.86
Legal tender	90,324.00
Notes,cheques other banks	38,964.31
Due by local banks	22,514.84
Due by foreign agents	16,356.35
Discounts, loans	966,962.47
Premises, furniture	<u>25,287.65</u>
	\$1,172,120.48

30 June 1874

### LIABILITIES

Capital Stock Paid Up	\$861,060.00
Rest	55,000.00
Profit and Loss a/c	3096.64
Int. and Exch. reserved	5,436.66
Div. Unclaimed	538.40
Div. payable 2 July	33,320.82
Contingent fund	20,000.00
Notes in Circulation	445,912.00
Deposits	511,216.07
Due local banks and	
Due foreign agents	<u>197,707.81</u>

\$2,133,288.40

### ASSETS

Specie and Dominion notes	\$83,777.83
Notes,cheques other banks	196,705.50
Due by other banks	101,949.86
Discounts, current	1,808,417.79
Bank Premises	<u>32,437.4</u>
	\$2,133,288.40

30 June 1875

### LIABILITIES

Capital Paid Up	\$1,000,000.00
Rest	55,000.00
Profit and Loss a/c	27,513.17
Int. and Exch. reserved	12,162.03
Div. Unclaimed	140.40
Div. payable 1 July	39,976.00
Notes in Circulation	354,050.00
Deposits	536,547.08
Due local banks and foreign agents	<u>179,597.78</u>
	\$2,204,986.46

### ASSETS

Specie and Dominion notes	\$98,663.08
Notes,cheques other banks	55,440.29
Due from other banks	118,962.48
Current loans and discounts	1,788,716.05
Overdue loans and discounts	35,117.26
Bank Premises, furniture	<u>108,087.30</u>
	\$2,204,986.46

30 June 1876

### LIABILITIES

Capital Paid Up	\$1,000,000.00
Rest	75,000.00
Profit and Loss a/c	12,077.90
Int. and Exch. reserved	11,423.72
Div. payable 1 July	40,000.00
Notes in Circulation	404,563.00
Deposits	1,110,159.73
Due other banks and foreign agents	<u>132,093.80</u>
	\$2,785,318.15

### ASSETS

Specie and Dominion notes	\$140,199.46
Notes,cheques other banks	105,716.82
Due from other banks	272,256.12
Current loans and discounts	2,116,576.92
Overdue loans and discounts	25,223.00
Bank Premises, furniture	<u>125,345.83</u>
	\$2,785,318.15

30 June 1877

### LIABILITIES

Capital Paid Up	\$1,000,000.00
Rest	50,000.00
Contingent Account	25,000.00
Profit and Loss a/c	1,896.49
Int. and Exch. reserved	13,747.82
Div. Unclaimed	471.00
Div. payable 3 July	30,000.00
Notes in Circulation	385,157.00
Deposits	1,015,210.62
Due local banks and foreign agents	<u>223,306.86</u>
	\$2,744,789.79

### ASSETS

Specie and Dominion notes	\$96,045.39
Notes,cheques other banks	100,736.20
Due from other banks	266,819.39
Current loans and discounts	2,078,233.75
Overdue loans and discounts	54,406.43
Bank Premises, furniture	<u>148,547.44</u>
	\$2,744,789.79 <sup>(74)</sup>

28 June 1878

### LIABILITIES

Capital Paid Up	\$1,000,000.00
Rest	50,000.00
Contingent Account	10,000.00
Profit and Loss a/c	800.84
Div. Unclaimed	707.00
Div. payable 2 July	30,000.00
Notes in Circulation	516,911.00
Deposits	877,885.47
Due local banks and foreign agents	<u>225,032.59</u>
	\$2,711,336.90

### ASSETS

Specie and Dominion notes	\$90,016.51
Notes,cheques other banks	93,868.24
Due from other banks	215,477.22
Current loans and discounts	2,105,782.46
Overdue loans and discounts	44,461.88
Bank Premises, furniture	<u>161,730.59</u>
	\$2,711,336.90

30 June 1879

### LIABILITIES

Capital Paid Up	\$1,000,000.00
Div. Unclaimed	264.00
Interest reserved	8,183.22
Notes in Circulation	546,535.00
Deposits	607,303.21
Due local banks and foreign agents	<u>83,580.24</u>
	\$2,335,865.67

ASSETS	
Specie and Dominion notes	\$95,891.28
Notes,cheques other banks	94,189.96
Due from other banks	96,144.95
Current loans and discounts	1,659,352.10
Overdue loans and discounts	175,705.74
Bank Premises	207,887.43
Other real estate	1,056.33
Miscellaneous assets	<u>5,637.88</u>
	\$2,335,865.67

30 June 1880

LIABILITIES	
Capital paid up	\$1,000,000.00
Dividends Unpaid	159.00
Interest Reserved	26,311.02
Heirs Rodier, mortgage	50,000.00
Notes in Circulation	308,474.50
Government Deposits	10,183.17
Other deposits	415,645.09
Loans or deposits from other banks	65,000.00
Due other banks in Canada	9,106.39
Due to agencies or banks in U.K.	<u>5,125.79</u>
	\$1,890,004.96

ASSETS	
Specie and Dominion notes	\$21,791.48
Notes and cheques of other banks	113,081.44
Balances due, other banks, agencies	38,965.95
Current loans	1,136,883.84
Overdue loans, secured	42,932.89
Bank premises, furniture	100,000.00
Other real estate	8,000.00
Miscellaneous assets	<u>86,950.00</u>
	\$1,548,605.60
Deficiency, accounted for as follows:	\$341,399.36
Losses on debts	174,514.94
Depreciation on collateral held	59,354.48
Depreciation on premises, est.	107,529.94

6 Apr. 1881

LIABILITIES	
Capital Paid Up	\$500,000.00
Rest	200,000.00
Profit and Loss a/c	32,031.24
Div. Unclaimed	156.50
Notes in Circulation	574,595.00
Deposits	1,083,999.31
Due other banks	68,580.53
Mortgage on bank premises	<u>50,000.00</u>
	\$2,509,362.58

ASSETS	
Cash in hand and in banks	\$290,630.86
Current loans	\$2,010,794.27
Overdue loans, secured	40,921.36
Overdue loans, unsecured	1,938.84
Bank Premises, real estate	114,407.25
Stocks owned by the bank	<u>50,670.00</u>
	\$2,509,362.58

30 June 1882

LIABILITIES	
Capital Paid Up	\$500,000.00
Rest	250,000.00
Contingent account	33,798.29
Int. reserved	31,000.00
Div. Unclaimed	544.00
Div. payable 1 Aug.	10,000.00
Notes in Circulation	470,571.00
Deposits on demand	1,455,429.00

Deposits on time	1,133,635.07
Due other banks	39,416.96
Mortgage on bank premises, due 1884	<u>50,000.00</u>
	\$3,974,394.32

ASSETS

Cash in hand and in banks	\$391,749.91
Current loans	\$3,426,867.11
Overdue loans, secured	20,362.05
Overdue loans, unsecured	1,350.69
Bank Premises, real estate	108,815.79
Mortgages held by the bank	<u>25,248.77</u>
	\$3,974,394.32

30 June 1883

LIABILITIES	
Capital Paid Up	\$500,000.00
Rest	300,000.00
Contingent account	51,837.35
Int. reserved	47,000.00
Div. Unclaimed	330.00
Div. payable 1 Aug.	10,000.00
Notes in Circulation	427,155.00
Deposits on demand	845,242.46
Deposits on time	1,471,120.17
Due other banks	90,569.68
Mortgage on bank premises, due 1889	<u>50,000.00</u>
	\$3,793,254.66

ASSETS	
Cash in hand and in banks	\$356,991.24
Current loans	\$3,127,660.76
Overdue loans, secured	25,676.20
Montreal City Bonds	150,000.00
Bank Premises, real estate	124,046.23
Mortgages held by the bank	<u>8,880.23</u>
	\$3,793,254.66

17 Nov. 1883

LIABILITIES	
Capital	\$500,000.00
Rest and Contingent fund	320,019.17
Unclaimed dividends	324.00
Notes in circulation	235,401.00
Public depositors	1,009,392.76
Dominion and provincial deposits	397,856.24
Due other banks on balances	2,674.46
Due other banks on loans	495,486.92
Due foreign agents	97,760.36
Reported due on guarantees	41,400.00
Mortgage on bank premises	50,000.00
Notes held as security by Federal Bank	92,555.00
Indirect endorsements	<u>228,039.43</u>
	\$3,470,959.34

ASSETS	
Cheques and notes of other banks	\$22,068.37
Due from other banks	21,962.44
Due from agents in New York	76.98
Municipal debentures	161,835.82
Current loans	986,001.29
Overdue loans	671,963.72
Overdrawn accounts, secured, est.	440,000.00
Directors, unsecured	670,358.13
Claims for guarantees of the bank	41,400.00
Real estate and mortgages	29,638.16
Bank premises	105,000.00
Bank notes held as collateral	92,555.00
Bills rediscounted by other banks	<u>228,039.43</u>
	\$3,470,959.34

## DISPLAY ADVERTISING RATES

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Full	\$60.00	\$65.00
Half	\$35.00	\$40.00
<b>INSIDE COVER</b>		
Full	\$55.00	\$60.00
Half	\$35.00	\$40.00
<b>INSIDE PAGE</b>		
Full	\$50.00	\$55.00
Half	\$30.00	\$35.00
Quarter	\$15.00	\$20.00
Eighth	\$10.00	\$12.00

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