



# The Canadian Paper Money Journal

PUBLICATION OF THE CANADIAN PAPER MONEY SOCIETY

Vol 36

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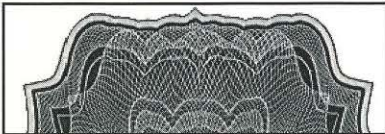
Serial No. 120





# The Canadian Paper Money Journal

Publication of the Canadian Paper Money Society



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\$5 Commercial Bank of Manitoba  
1885, Private Collection.  
\$10 Grenville County Bank  
Circa 1856, Private Collection.

### Back Cover

Victoria after J. Champagne.

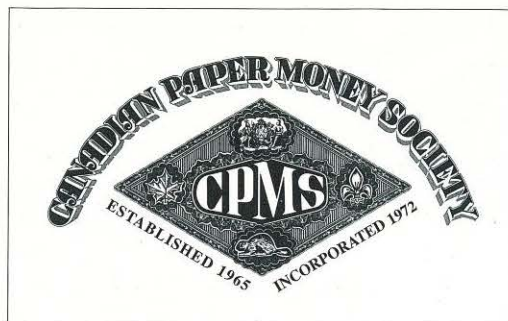
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## The President's Message

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Have you ever considered what the word society means? In short, it is a group of people who associate together, who share something in common. For us, that something is our passion for Canadian paper money.. We share this interest by going to conventions, by corresponding with one another, by giving and attending talks and especially by writing and reading the articles that fill the pages of our Society's publications.

As a friend of mine has often said, it is the Journal and Newsletter that really bind us together. It is through the printed word that we share our concerns and our excitement. As you read the fine articles in this year's Journal, you will notice some of the same familiar contributors that you see quarterly in our Newsletter. If it wasn't for the efforts of these few, there would be no Journal or Newsletter. There would be no sharing. There would be no Society.

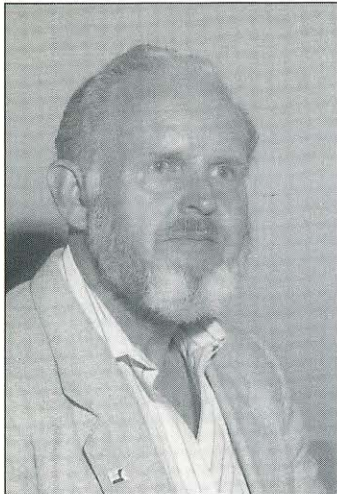
I do not mean to sound harsh but it is a reality that the many are benefiting from the efforts of the few. Interestingly, this need not be the case. The subjects that remain to be explored in articles are legion and they are not necessarily restricted to areas of our hobby where one needs a lot of money to acquire notes. All you really require is an enquiring mind and some material on which

to record your thoughts.

Below, is a list of a few subjects that would make fine articles. Family and business commitments may pose an obstacle to extensive involvement but surely these can be set aside long enough to prepare just one short article each year. Don't worry about the grammar, our editors will get it right! So, take up that pen or type out those letters. I shall look forward to your article in future Society publications. Meanwhile, happy reading!!!

- **Bank Histories** - For the energetic, a substantive history of many of the over 100 note issuing banks in Canada has not been published.
- **Your community and its Banks** - Trace the development of banks either public or private in your community. Were some more successful than others? Why?
- **Biographies of Bankers** -Some of the gentlemen who signed notes were quite the rogues. Perhaps your local historical society has some information.
- **Felonious Activities** - These include theft, embezzlement, counterfeiting, and fraud. Newspapers are a good source for this sort of information.
- **Famous or not so famous collectors and collections** - I touched upon this subject in my paper delivered at CNA 2000 in Ottawa. More remains to be done!
- **Collecting 50 Years Ago** - What did collectors buy? Where did they get it? What obstacles stood in their way? How have the prices and availability of notes changed?
- **What did those notes actually buy?** - I am frequently asked what a particular sum of money at some point in the 19<sup>th</sup> century is worth in today's dollars. How can one answer that question but by determining what a dollar bought then as opposed to now in terms of the same goods or service.

**Paul Berry**



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## The Editor's Message

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We are fortunate this year in having an in-depth article from Bob Graham on The Commercial Bank of Manitoba. It is indeed a thorough and excellent treatise. Again this year we have an interesting article from Christopher Ryan on Geo. Mathews' role in printing Canadian bank notes. A small article on "The Origin of Bank Note Vignettes" is also included, as is a short article on the important discovery of a single sheet of notes of the mysterious Grenville County Bank. Many thanks to you all for a noble effort.

Our millennium year journal cover is in full colour, a nice change. Let us have your comments, please. In order to further upgrade the technical quality of the journal we have made arrangements to have Mr. Ron Schuster do the formatting and layout. A former printer, he brings many years of experience to the job. Many thanks to Mr. Bobb Dyer for his efforts over the last few years in this regard. Finally, the printing has also been placed in new hands, with an excellent firm W D Keeling Printers Limited in Owen Sound.

The Millennium year journal is now in your hands. In the last eight years we have had journals with anywhere from 32 to 96 pages. It would be gratifying to be able to maintain a size of 48 or more pages but, due to lack of articles, this year we have only 36. The remedy for this is

simple: Each of us must rededicate ourselves to the support of the journal in terms of making a contribution, large or small.

If you don't have a computer, if you don't type, or even if you don't have any illustrations, don't let that stand in your way. Send whatever you can, even handwritten. We can help you and can probably even find some suitable photos. So let's dig in and see what we can do to make our journal even better!

**WDA**

**George Matthews: Early Canadian Bank  
Note Printer  
Christopher D. Ryan, FCNRS**

**D**uring the course of researches into the early history of bank note companies in Canada, several items were discovered that referred to Montreal lithographer George Matthews and his successors, Burland, Lafricain & Company, as "bank note printers." With the recent availability of the American Bank Note Company (ABN) records these references were substantiated. Taken altogether, the information shows that by early 1853 George Matthews was printing bank notes in Montreal from steel plates engraved outside of Canada.

The event that initiated this writer's search for details of Matthews' bank note work was the discovery of court testimony given in 1899 by George B Burland of Burland-Lafricain and the British American Bank Note Company (BABN). The court transcript provides the following.

Mr Hogg: *What experience have you had in the engraving and lithographing business?*

G B Burland: *I have been connected with it for 40 years. I was engaged in it when the first bank [sic] note was printed in Canada.*

Mr Hogg: *Did you print the first bank note?*

G B Burland: *I was in the employ of George Matthews, who had the contract from the Bank of Montreal. . . . Prior to 1868 [sic, 1866] we were agents of the American Bank Note Companies and did bank note work.* [1]

Burland's claim had been previously made in a patently biased entry in G M Rose's 1888 *Cyclopaedia of Canadian Biography*. The entry noted as follows.

*. . . When [George B Burland's] schooling was over, he entered upon business pursuits, in 1844, in the office of his uncle, George P Bull, who was at that period proprietor and publisher of the Hamilton Gazette . . . . He remained with them some three or four years and then returned to Montreal. This initial connection with the press soon led to another stage in a cognate branch of publication. The late George Matthews, engraver, succeeded, after many efforts, in inducing the Bank of Montreal to have its bills printed in Canada, the plates being then engraved at the Bank of England, in London. Having secured this step, his next important move was to obtain for that department a manager who could be relied upon for his intelligence and business energy to carry out the new undertaking with success. The choice fell upon Mr. Burland. . . .* [2]

Given the half-truths presented elsewhere in Rose's description of Burland's career, there arose a question as to the accuracy of the above sources. Independent, corroborating sources were sought and found. Extracts of



Promissory Note 1855 Engraved on Steel & for Sale by G. Matthews, Montreal.  
W. D. Allan Collection.

BABN circular notice of circa 1866.

... Among the founders of the [British American Bank Note] Company are Messrs. Burland, Lafricain & Co. of Montreal (successors to Mr. George Matthews) who for nearly twenty years past have been connected with the Bank Note business in Canada, and have in that capacity become known to and earned the confidence of the principal banking institutions in the country. [3]

Obituary of 18 August 1870 for George Matthews as published in the *Montreal Herald*.

Our obituary notice of today records the death of the late Geo. Matthews, Esq., which occurred on Tuesday evening (August 16<sup>th</sup>) at his residence, Mount Victoria, Hudson. The late Mr. Matthews was an old citizen of Montreal, and widely known throughout Canada. He came to Montreal in the year 1832, and commenced business as lithographer, engraver and bank note printer in 1838, retiring from active life in 1864. . . . [4]

Anonymous letter of 14 December 1882 to the Editor of the *Quebec Morning Chronicle* regarding the establishment by W C Smillie of the Canada Bank Note Engraving and Printing Company (CBNEP) in Toronto.

... I remembered well with satisfaction the advent of Mr. Smillie — a wealthy and thoroughly independent gentleman — to this city some sixteen or seventeen years since; and his liberal offer to the Government at the time, to expend \$200,000 . . . in establishing a Bank Note Engraving Company. . . .

His reasons for coming to Quebec, which was then the seat of Government, were two-fold. Firstly, that we were at the beginning of a national rebellion or war of secession, and it would therefore not be safe to continue to do the work in New York and send the engraved plates into Canada to be printed. . . .

... And, finally, associated with him, George B. Burland, of the Copper-plate Printing firm of Burland, Lafricaine [sic] & Co., of Montreal, who had been employed in doing the printing from the New York plates. [5]

George Matthews' 1861 Census return for his business on St. Francois Xavier Street.

Average number of hands employed:

- M[ale] 23, F[emale] 7

Annual Product of business or Manufacture:

- Bank Note Engraving & Printing \$27,722  
- Ordinary Engraving & Lithography \$10,943 [6]

When taken altogether, it may be inferred from the above that at some point in the 1840s or 1850s George Matthews complemented an existing lithography business with bank note printing that eventually came to

form the majority of his trade. In this scenario, Matthews' bank note work was initiated by a contract with the Bank of Montreal and grew to include several other banks. Allegedly, the plates were first engraved in England, with later plates coming from the United States.

Confirmation of Matthews' tenure as a printer from American plates was provided (courtesy of Walter D Allan, FCNRS) by the recently available records of ABN. A list of relevant entries discovered so far by Allan, detailing plates and presses sent to George Matthews in Montreal by Toppan, Carpenter, Casilear & Co. (TCC) (later known as Toppan, Carpenter & Co.) during the period of 1853 through 1856, is given in Appendix A. Numerous shipments of bank note paper are not included in the list.

The earliest of the entries is dated 27 January 1853 and reads as follows.

[To] George Matthews, Montreal. Sent per Pullen, Virgil & Cos. Express, 1250 sheets Crane paper, 1 Plate Bank of Upper Canada, 1 Plate Corporation of Montreal & 1 Plate to Chapman & Co. to his address. [7]

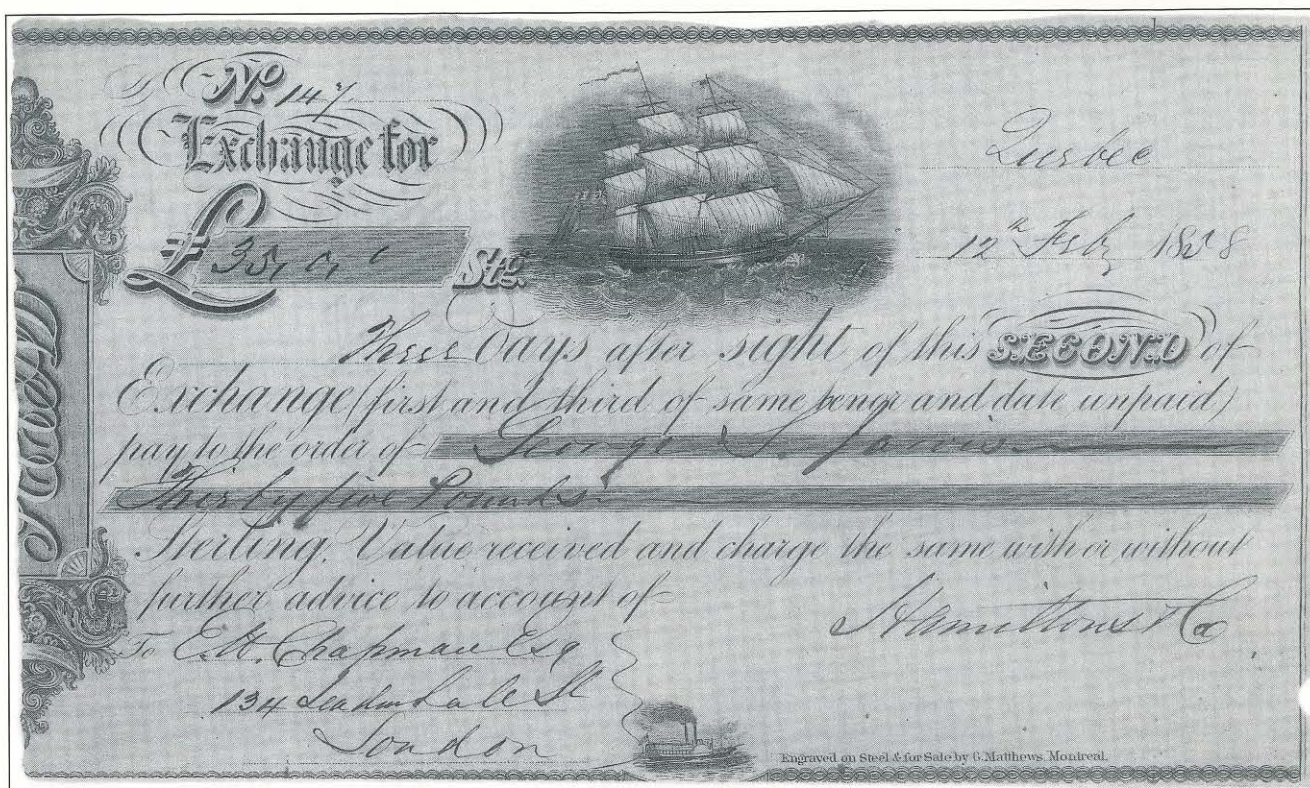
Subsequently, TCC shipped three plate printing presses to Matthews, two in July 1853 and the third in September of that year. [7]

The 1853 date of the above entries is very significant as it corresponds to the first appearance in the *Montreal City Directory* of an American affiliate for Matthews. Also new to Matthews' listing was a "6 St. Francois Xavier" address. The six previous editions of the directory (1847 through 1852) gave his address as "19 Great St. James." The relevant entries in the 1853 directory under the heading of "Engravers and Lithographers" are as follows.

Mathews [sic], George, 6 St. Francois Xavier.  
Toppan, Carpenter, Casilear & Co., bank note engravers, 6 St. Francois Xavier.

Toppan, Carpenter, Casilear & Co. had offices in the United States at New York, Philadelphia, Boston and Cincinnati. In October of 1854 it was renamed Toppan, Carpenter & Co., and in 1858 it became part of ABN. In 1856 or 1857 Matthews switched his affiliation to the firm of Rawdon, Wright, Hatch & Edson (RWH&E), who had offices in New York, Cincinnati, Boston (under the name New England Bank Note Company) and New Orleans, and likewise became part of ABN in 1858. [8]

Matthews' printing of Canadian bank notes as an affiliate of the American firms is reflected in the inclusion of "Montreal" in many of the imprints found on notes from the 1850s and 1860s. As illustrated by the examples



Second of Exchange 1858, Engraved on Steel & for Sale by G. Matthews, Montreal. W. D. Allan Coll'n.

given in Appendix B, the dates of these bank notes logically follow upon an assumption by Matthews of TCC's Canadian printing work by 1853. In addition, the notes listed in Appendix B closely correspond to the plates listed in Appendix A.

Of course, the absence of a "Montreal" imprint during the post-1852 period does not mean that the note was printed in the United States rather than in Montreal. Notes printed from plates prepared prior to 1853 by TCC (or prior to 1856/57 by RWH&E and 1858 for ABN) would have not borne the "Montreal" imprint and yet still have been produced by Matthews in or after 1853 (or 1856/57 and 1858). This was likely the case with the Bank of Upper Canada plate mentioned in the ABN record entry of 27 January 1853. This plate was likely used to print one or more of the TCC notes listed in *The Charlton Standard Catalogue of Canadian Bank Notes* as 770-18. The initial varieties of these notes, domiciled at Brockville, Kingston and Montreal, are dated January 1851. Later varieties, domiciled at Quebec, bear dates in 1852 through 1857. The "Quebec" notes and post-1852 production of the "1851" varieties were likely printed by Matthews.

Matthews' possession of American-produced bank note plates explains the existence of Canadian notes bearing both American and BABN imprints. These particular notes, some of which are listed below, would have come into BABN's possession by way of Matthews' 1864 successor, Burland-Lafrcain, whose bank-note facilities became part of BABN in 1866.<sup>[9]</sup>

Date on Note	Name of Bank	Charlton #	Dual Bank Note Company Imprints
1857 January	City Bank	110-14-06	Toppan, Carpenter & Co., Montreal and British American Bank Note Co., Montreal
1874 May	People's Bank of New Brunswick	585-12	American Bank Note Co., New York and British American Bank Note Co., Montreal.
1882 May	Banque du Peuple	575-20-02 04	Toppan, Carpenter & Co., New York and British American Bank Note Co., Montreal
1892 January	St. Stephen's Bank	675-24	American Bank Note Co., New York and British American Bank Note Co., Montreal. <sup>[10]</sup>

What remains undocumented is Burland's 1899 testimony that Matthews' initial foray into bank note printing consisted of notes produced from English plates for the Bank of Montreal. Such notes do exist for this bank dating from the period immediately prior to 1853. Listed in Charlton as 505-26, these notes were engraved by Perkins, Bacon & Co. of London, England and bear dates in 1852, with the exception of two essays dated July 1851 and a few issued items with dates in 1853 and 1856. Unfortunately, this writer has not yet discovered any documents other than Burland's testimony that links Matthews to these Perkins-Bacon notes. However, a pre-1853 connection between Matthews and some unknown bank note firm can be inferred from the former's entry in the 1851 *Canada Directory*. In this publication, compiled during September to November of 1851, Matthews is described as an "engraver on steel, copper and wood, and lithographer and printer." Of course, Matthews did not have the ability himself to engrave on steel, a process much more difficult than copper engraving, and thus he must have been obtaining the steel plates from elsewhere.

Matthews' possession of steel-plate printing presses prior to 1853 can also be inferred from the ABN records. As previously mentioned, the first known shipment of plates by TCC to Matthews occurred in late January of 1853. This was almost six months prior to the first recorded shipment of a plate printing press to him by TCC. Matthews must have already been in possession of a press capable of printing from steel plates.

It may be surmised here that the threat of a significant entry into the Canadian bank-note market in circa 1851/52 by Perkins-Bacon prompted TCC to enter into its 1852/53 arrangement with Matthews. The importance to the American firm of Matthews work and position in the Canadian market is evidenced by a significant aspect of their arrangement. This aspect is illustrated by the following entries from the ABN records.

1856 May 30: *Zimmerman Bk. Recd from Mathews [sic] to red Protect, 2000 imps 1,1,3,5.*

1856 June 3: *Sent G. Math. 2000 imps Zimmerman Bk. 1,1,3,5 protected.*<sup>[7]</sup>

These and similar entries suggest that Matthews was not capable of printing the coloured "protectors" (i.e., the denomination of the note spelled out in large or small coloured letters, or as numerals, usually on the face) that are frequently found on Canadian notes produced just prior to the 1857 introduction of the green Canada Bank Note Printing Tint. (For details of this indelible printing tint see "The Canadian Patents for the Printing Tints of Thomas Sterry Hunt" in the *Canadian Paper Money Journal*, 1996, Volume 32, pp. 25-30.)

Thus, the following sequence of events presents itself.

1. Steel plates for bank notes were engraved by TCC in New York and shipped to George Matthews in Montreal.
2. Matthews printed the notes and shipped the uncut sheets to New York.
3. TCC applied the coloured "protectors" and shipped the sheets back to Matthews for final processing and release to the bank.

The connection with Matthews in Montreal must have been very important to the American firm for it to go to such added effort and expense in order to secure its place in Canada. The threat in 1851/52 of significant British competition may have been the impetus for this arrangement.

The important implication of this discussion is that all Canadian bank notes with Toppan, Carpenter, Casilear & Co. (later Toppan, Carpenter & Co.) imprints and dates in or after late-1852 or early-1853 were printed by George Matthews or his successors in Montreal. The same is true for Rawdon, Wright, Hatch & Edson notes dated in or after 1856/57, as well as those of the American Bank Note Company beginning in 1858. Of course, all this should have ended in 1866 when Matthews' 1864 successor, Burland, Lafricain & Co, became involved with the British American Bank Note Company.[9] However, it is evident from known notes that the new Canadian company simply took possession of many of the American plates and continued to print from them. One can imagine that the Americans were not pleased with this turn of events. As for a pre-1853 connection with the English firm of Perkins, Bacon & Co, further research in British archives may illuminate the situation.

### Acknowledgments

This article would not have been possible without the assistance of Walter D Allan, FCNRS, who kindly supplied the Author with photocopies and transcriptions of the records of the American Bank Note Company.

### Reference Notes

1. Records of the Federal Court of Canada, Ex chequer Court File 1107, *Queen vs. BABN*, "Evidence taken at Trial", filed 27 October 1899, pp. 74-75.
2. Rose, G M (1888). *A Cyclopaedia of Canadian Biography* (Volume 2), Toronto: Rose Publishing Co., pp. 441-443.
3. British American Bank Note Company (c. 1866). Circular notice regarding the establishment of the Company, National Archives of Canada, Smillie Papers, MG 29 A33, scrap book.





\$1 Zimmerman Bank Note, Example of notes returned by Matthews to TC CO. to be protected (red ONE).

4. Anonymous (1870). Obituary, *Montreal Herald*, 18 August, p. 2.
5. Anonymous (1882). The Bank Note Company, Toronto, Letter of 14 December to the Editor of the *Quebec Morning Chronicle*, National Archives of Canada, MG 29 A33, scrapbook.
6. Canada, Census Returns (1861). Return for the business of George Matthews, Montreal City, Centre Ward, Folio 173, National Archives of Canada, Microfilm reel C1232.
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10. Allan, W D (editor) (1989). *The Charlton Standard Catalogue of Canadian Bank Notes* (2<sup>nd</sup> edition), Toronto: Charlton Press.

**Appendix A:** Selected shipments from Toppan, Carpenter, Casilear & Co. and Toppan, Carpenter & Co. in New York to George Matthews in Montreal as taken from the records of the American Bank Note Company by Walter D. Allan.

Date	Item
<b>1853</b>	
Jan 27	- Plates for Bank of Upper Canada Notes
May 31	- "Ruled steel plate"
Jun 20	- Crane bank note paper for the Commercial Bank of the Midland District
Jul 9	- Plate printing press from Philadelphia
Jul 21	- Plate printing press
Aug 1	- Back plate for Molsons Bank Notes
Sep 21	- Plate printing press
Nov 19	- Plates for Grand Trunk Railway debenture and stock certificates
<b>1854</b>	
Jan 20	- Arm for printing press
Sept	- "One box old bank plates"

**1855**

- Jun 9 - Face and back plates for Molsons Bank Notes
- Jun 22 - Face and back plates for Molsons Bank Notes
- Aug 11 - Face and back plates for Commercial Bank of the Midland District Notes
- Aug - Face plate for Molsons Bank Notes
- Nov 1 - Back plate for City Bank Notes
- Blankets to wipe plates
- Dec 24 - Back plate for Bank of Montreal Notes

**1856**

- Mar 7 - Face and back plates for Bank of Montreal Notes
- Mar 11 - Back plates for Bank of Montreal Notes
- May 13 - Plates for Zimmerman Bank Notes
- Jun 5 - Plates for City Bank Notes
- Aug 7 - Face and back plates for Bank of Montreal Notes
- Face plate for City Bank Notes
- Face and tint plate "Kingston" bank Notes
- Aug 20 - Tint plate for Commercial Bank of Canada, Montreal Notes
- Sep 2 - Blankets for wiping plates
- Sep 22 - Plates for City Bank Notes
- Tint plate for Commercial Bank of Canada Notes
- Oct 22 - Tint plate for Commercial Bank of the Midland District Notes
- Oct 28 - Face plates for Commercial Bank of the Midland District Notes
- Nov 1 - Tint plate for Commercial Bank of Canada Notes
- Nov 11 - Plates for Commercial Bank, Kingston Notes
- Plates for Commercial Bank, Montreal Notes
- Tint plates for Commercial Bank, Montreal Notes

**Appendix B:** Bank notes circa 1853-1866 with "Montreal" imprints of American engraving companies as taken from *The Charlton Standard Catalogue of Canadian Bank Notes*, 2<sup>nd</sup> edition, 1989.

Date on Note	Name of Bank	Charlton #	Bank Note Company Imprint
1853 October	Molsons Bank	490-12	Toppan, Carpenter, Casilear & Co., Montreal
1854 May	Commercial Bank of the Midland District	190-20	Toppan, Carpenter, Casilear & Co., Montreal
1854 November	Zimmerman Bank	815-10	Toppan, Carpenter, Casilear & Co., Montreal
1855 October	Molsons Bank	490-14	Toppan, Carpenter, Casilear & Co., Montreal or Toppan, Carpenter & Co., Montreal or American Bank Note Co., New York
1856 January	Quebec Bank	620-30	Toppan, Carpenter, Casilear & Co., Montreal
1856 June	Zimmerman Bank	815-12	Toppan, Carpenter & Co., Montreal
1856 June	Bank of the County of Elgin	210-10	Toppan, Carpenter & Co., Montreal
1856 August	Bank of Montreal	505-28	Toppan, Carpenter & Co., Montreal
1857 January	City Bank	110-14-02 & 04	Toppan, Carpenter & Co., Montreal
1857 January	Commercial Bank of Canada	155-10 & 14	Toppan, Carpenter & Co., Montreal
1857 August	Ontario Bank	555-10	Rawdon, Wright, Hatch & Edson, Montreal & N.Y. and ABN "mono"
1857 October	Molsons Bank	490-18	Rawdon, Wright, Hatch & Edson, Montreal & N.Y.
1859 January	Bank of Montreal	505-30	Rawdon, Wright, Hatch & Edson, Montreal & N.Y.
1866 March	Union Bank of Lower Canada	740-10	American Bank Note Co., N.Y. & Montreal

## THE COMMERCIAL BANK OF MANITOBA

by R. J. Graham, FRNS, FCNRS

### OVERVIEW: EARLY BANKING IN WINNIPEG

The first bank in Manitoba opened in Winnipeg in 1873. Four years later the railroad reached the town, and the value of locally raised wheat doubled since it could now be shipped to market. The direct result was a flood of immigration from Ontario, where most arable land had already been taken up, and a great inflation in the prices of both town building lots and farms. The land boom occurred in 1881. In the atmosphere of boundless confidence in the future, speculation was rampant, and implement dealers urged farmers to buy machinery on very long repayment schedules. Of course early frosts, grasshoppers and depressed markets soon pricked the bubble, and discouraged settlers abandoned their farms. Multitudes went back to Ontario or south to the United States to pick up the pieces of their lives. The boom had ended in a resounding crash, and among the numerous sufferers were the banks which had taken their first tentative steps westward. The province did not recover fully until near the end of the century.

The Winnipeg grain exchange was established in 1887, making the city the hub of Canada's grain trade and a magnet for banks. In 1901 it was the largest urban centre west of Toronto, and larger than all other western cities combined. Both geographically and as a rail centre, Winnipeg was well positioned to be the Gateway to the West.

The pioneer bank in Manitoba was The Merchants Bank of Canada, which opened in Winnipeg in November 1873 under the management of Duncan MacArthur, of whom you will read much in this paper. After MacArthur moved on to pursue other interests in 1883, the Merchants Bank branch was managed by D. Miller, who in turn became Toronto branch manager in 1889, and was succeeded by A. Wickson. The Merchants Bank was badly battered by its losses connected with the Manitoba boom and bust.

The next bank to arrive in Winnipeg was The Ontario Bank, in July 1875, with George Brown as manager until the spring of 1882, when he was replaced by James Field, who was himself replaced after only a year by E. Porter. Porter remained in charge until the branch was closed in 1890.

In August 1878 Campbell Sweeny opened the first branch of The Bank of Montreal in Winnipeg, and stayed until Mr. Hogg replaced him in 1884. Hogg went to London in 1890, and was replaced by Angus Kirkland; the latter, in turn, was promoted to the Toronto branch in 1897.

The Imperial Bank opened in June 1881 under



Duncan McArthur at about 35 Years of age.  
PAM, Duncan McArthur.

the management of R. H. Hunter, who remained until 1882, when C. S. Hoare began his long term as manager. The bank had to take \$200,000 from its reserves to cover losses in Manitoba.

In February 1882 The Union Bank of Lower Canada (the word "Lower being dropped from the bank's name in 1886) opened in Winnipeg with C. A. Boxer as manager. When he retired from the bank two years later, G. H. Balfour became manager until he in turn was promoted to Montreal in 1889. F. L. Patton then managed the branch for a number of years. As a result of losses and lockups from the Manitoba boom and bust, the bank had to forgo a dividend.

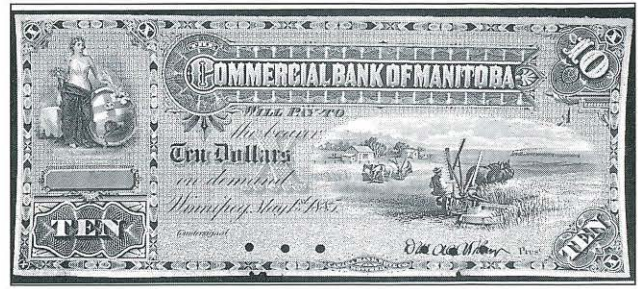
E. H. Taylor opened a branch of The Bank of Nova Scotia in April 1882, remaining a year or so until being succeeded by Robert Steven. After about one more year, H. C. McLeod came out to relieve him and to close up the branch. The Bank of Nova Scotia did not consider itself well served by the earliest managers and lost money on its first venture in Winnipeg. The bank did not return until 1899.

In June 1882 The Federal Bank of Canada came to Winnipeg, the branch being under the management of Thomas Renwick, who retired about two years later. F. L. Patton followed him, but only to wind up the business of the branch. The Federal Bank lost very badly through its Winnipeg operation, three-quarters of its losses on its entire business were suffered in Manitoba. The bank was unable to recover and went into voluntary liquidation in 1888.

On the very same day the Federal Bank came to



Commercial Bank of Manitoba Proof \$5 1885



Commercial Bank of Manitoba Proof \$10 1885



\$5 Back Proof 1885



\$10 Back Proof 1885

town, F. H. Mathewson opened a branch of The Bank of Ottawa. He accepted a position with The Canadian Bank of Commerce in May 1893, and was replaced by J. B. Monk.

The only local bank in Manitoba was The Commercial Bank of Manitoba, opened in May 1885 under the management of Duncan MacArthur. Its brief existence is the principal focus of this paper.

The Bank of British North America arrived in January 1887 with H. M. Breedon as manager until July 1894, when he was followed by D. Simpson.

The Molson's Bank opened in Winnipeg in January 1891. The first manager, W. G. Nicholls, was followed by T. B. Phepoe three years later.

In March 1892 La Banque D'Hochelega came to Winnipeg. The first manager was W. V. Boire, who moved east about 1896, to be replaced by W. H. Pambrun.

The Canadian Bank of Commerce was the next arrival, opening its branch in May 1893 with F. H. Mathewson (formerly with The Bank of Ottawa) in charge.

Just a few weeks later, La Banque Nationale established a branch with C. Crebassa as manager. He wound up the business a year or two afterward.

In July 1896 The Bank of Hamilton opened a branch in the city, with B. Wilson as manager.

In 1897 The Dominion Bank opened its Winnipeg branch, with F. L. Patton as manager. He must have been pretty well acquainted with local business by this time, having previously managed the Union Bank and Federal Bank branches. With all the comings and goings, the Dominion Bank became the eleventh bank com-

peting for the business of the forty thousand people then living in the city. <sup>(1)</sup>

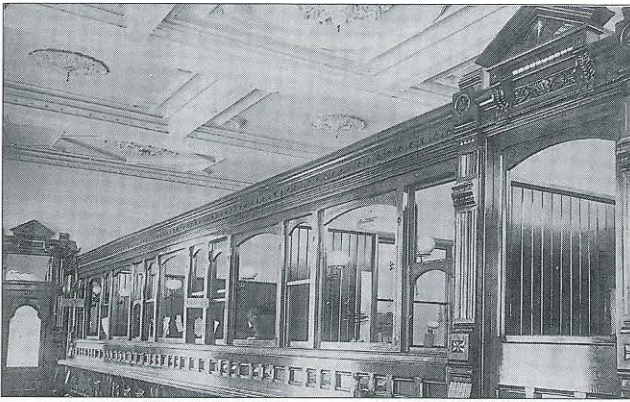
Bank branches reflected population on the prairies in the 1890's. All were in southern Manitoba and Winnipeg, none were in Assiniboia.

### DUNCAN MACARTHUR

The Commercial Bank of Manitoba was to a great extent the creation of one individual, Duncan MacArthur. He was born in Nairnshire, Scotland on 29 May 1840, and was educated at the Free Church Academy in Nairn. <sup>(2)</sup> In 1865 he came to Canada, and entered the service of the Hudson's Bay Company where he established valuable business contacts. <sup>(3)</sup> Duncan and his brothers Alex, James, David and Peter were all at Fort Garry (later Winnipeg) in 1869. (James opened the first bank in Prince Albert, the private banking firm of MacArthur and Knowles). MacArthur was married three times: to Catherine Robertson (son John), Christian Ross (daughter Grace), and Elizabeth McKeaghey. <sup>(4)</sup> MacArthur's son John (died 1960) was a professor of languages at the California Institute of Technology at Pasadena. <sup>(5)</sup>

Duncan resigned from the Hudson's Bay Company and, as noted above, became the manager of the first bank in Manitoba, The Merchants Bank of Canada, in 1873. At first the branch did a very quiet business but during the boom period his office became crowded with a tremendous rush of customers. Duncan MacArthur resigned his position of manager of the Merchants Bank branch in January 1883,

"in order that he may devote more time to his exten-



The interior of MacArthur, Boyle and Campbell's private banking office, at 439 Main, about 1883. Constructed a year earlier, this building in 1885 became the head office of The Commercial Bank of Manitoba. PAM, coll. Winnipeg Buildings - Banks. Photographer, F. V. Bingham. Architects, Barber & Barber.

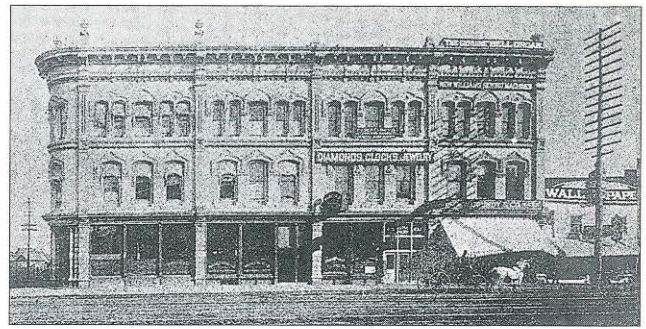
sive private business. Mr. MacArthur possesses a knowledge of the business and the resources of Manitoba and the North West to which few can pretend. He has had occasion, in his capacity as a banker, to watch the rise and growth of mercantile and manufacturing interests in that country but beyond this, he has exerted himself as a public-spirited citizen to forward the growth and good government of Winnipeg. No wonder, therefore, that the people of that city hold him in high esteem..."

MacArthur did not sever his links with the Merchants Bank, however. He was named president of a local board of management organized to superintend the business of the Merchants Bank in Manitoba and the North West.<sup>(6)</sup> He would eventually exploit his relationship with the Merchants Bank to its absolute limit, in an unsuccessful attempt to keep his own bank afloat.<sup>(7)</sup>

In April 1883 a banquet, presided over by the mayor, was given in MacArthur's honour by the citizens of Winnipeg, on the occasion of his retirement from the management of the Merchants Bank branch. He was presented with many warm compliments, a life size portrait of himself, and, from the Merchants Bank, a set of silver plate.<sup>(8)</sup>

After leaving the Merchants Bank, MacArthur became involved in a number of enterprises. He was one of several applicants to set up a company for transporting money, valuables and parcels, with a capital of \$50,000. His partners were Charles Sinclair Drummond, and fellow banker Thomas Renwick.<sup>(9)</sup> MacArthur had earlier made many purchases of property near Winnipeg and gradually came to be considered one of the most wealthy and prominent men in the city. This may have induced him to begin banking on his own account.

He was a partner in a private banking firm, MacArthur, Boyle and Campbell. A photograph of the



Exterior of The Commercial Bank of Manitoba, in 1892. The bank was kept in the first part of the structure at the left. It is interesting to compare the front view in this photo with the corner view seen on the 1891 notes. PAM, N11680, coll. Winnipeg Streets - Main 1892.

interior of their building, at 439 Main, constructed in 1882, accompanies this article. In 1885 W. R. Allan, son of Andrew Allan (president of the Merchants Bank), was admitted into the partnership, replacing Lord George Campbell who had retired. The firm then became known as MacArthur, Boyle and Allan.<sup>(10)</sup> A large business was done in negotiating loans on property, and lending money to a less credit worthy clientele than ordinary bank customers.<sup>(11)</sup>

MacArthur was involved in the insurance business, and was at one time agent for the Royal Insurance Co. of England. He established and served as the first president of a local insurance company while he was still with the Merchant's Bank. MacArthur was also very interested in railways, and was involved in the promotion of several of them. He subscribed for 2,510 shares (\$100 par value) of the Winnipeg & Western Railway Co. and was involved with the Nelson Valley Railway Co. in the 1880's.<sup>(12)</sup> He was involved with efforts to break the C.P. R. monopoly by running a rail link south from Winnipeg to the United States, and although the government permitted no such rail line to be constructed, the attempt may have been responsible, in part, for the unhelpful attitude of the C.P.R. towards The Commercial Bank of Manitoba. Not busy enough with banking and insurance and railroads, MacArthur kept a herd of cattle and was quite active in politics. His name is found on an act to incorporate The Land Bank of Manitoba, circa 1887. This was not a bank as we understand the term, but a land company.

So we have in Duncan MacArthur a typical ambitious entrepreneur of his time, with many irons in the fire, a visionary excited by the enormous potential of his adopted country, and a great promoter and booster. He was well liked generally, and respected in business circles for his foresight and ability. His biographer gives two insights into his character which will be essential for understanding the events of the next portion of MacArthur's life:

**The Commercial Bank**  
OF MANITOBA.

**Authorized Capital, - - - - - \$1,000,000.**

**DIRECTORS:**

DUNCAN MACARTHUR, - - - -	PRESIDENT.
HON. JOHN SUTHERLAND,	ALEXANDER LOGAN,
HON. C. E. HAMILTON,	W. L. BOYLE.

**DEPOSITS RECEIVED AND INTEREST ALLOWED.**

Collections promptly made. Drafts available in all parts of the Dominion.  
**Sterling and American Exchange bought and sold.**

Display Ad from Dominion Annual Register  
1886. R. J. Graham Coll'n.

1. "Even on the Sabbath he could not disguise a friendly twinkle in his eye"
2. "a man who found it difficult to disagree with anyone; he disliked to say no and it was dear to his heart to oblige or assist any and every applicant"<sup>(13)</sup>

### HISTORY OF THE COMMERCIAL BANK OF MANITOBA

At the beginning of the year 1884, Parliament was confronted with no fewer than eight pieces of privately introduced legislation concerning banking, of which five were applications for charters. Of these, three were for banks that were to be established in Winnipeg: The Commercial Bank of Manitoba, The Bank of Winnipeg and The Bank of Canada. Nothing eventually came of the latter two; although the Bank of Winnipeg did receive a charter it failed to start up after making a number of attempts. (The other banks seeking charters were The National Bank of Canada, Hamilton, which likewise fizzled out, and The Traders Bank of Canada, familiar to many readers, which had a more or less successful career.)<sup>(14)</sup>

It was reported in October that about \$200,000 worth of Commercial Bank of Manitoba stock had been subscribed, with the prospect of more being taken up in Great Britain.<sup>(15)</sup> The first meeting of the shareholders was held on 6 April 1885, at the MacArthur, Boyle & Campbell banking office. A board of directors consisting of Duncan MacArthur, Hon. John Sutherland, Alexander Logan, Hon. C. E. Hamilton and William L. Boyle was elected. The directors then selected MacArthur as president of the new bank.<sup>(16)</sup> Indeed the bank owed its existence to MacArthur's enterprise and vision, and he dominated it to an unusual extent, being for some years not only the president, but general manager also.

By June 1885 the new bank was up and running. How was it possible to put together the necessary capital, when the province was still hurting from the financial ruination of a few years earlier? The promoters of the two other new banks in Manitoba were unable to

**Commercial Bank of Manitoba.**

Dear Sir,— MORDEX, *29 Oct* 1890.

Your favor of *24<sup>th</sup>* received with  
enclosures as stated.

Yours truly,  
**C. R. DUNSFORD,**  
*Manager.*

Bank Reply Card Morden 1890  
W. D. Allan Coll'n.

bring their projects to life. The difference in this case was that The Commercial Bank of Manitoba was founded on the private banking business of MacArthur, Boyle & Campbell, which became altogether merged in the new bank! It began with a paid up capital of \$133,000, deposits of \$237,000 and circulation of \$33,000, using round figures. Loans made by the bank, called "discounts", amounted to \$353,000, and some of these loans were already past due, certainly an ominous situation at the very outset of the life of a new bank.<sup>(17)</sup> These overdue loans may have been carried over to the bank from business done earlier by MacArthur, Boyle and Campbell.

By August 1885 there were complaints from Ontario and New Brunswick that notes of The Commercial Bank of Manitoba were accepted there only at a discount. It was explained that the notes had to be sent back to Winnipeg for redemption, and express company charges were considerable.<sup>(18)</sup> The bank declared its first dividend, of 3.5% for the half year, in the fall of 1885.<sup>(19)</sup> By the following April, its circulation was reported to be \$164,085.<sup>(20)</sup>

The first annual meeting of the shareholders took place in Winnipeg on 26 May 1886, with Duncan MacArthur presiding. On an average paid up capital that first year of only \$143,580, it was claimed that the bank had earned almost \$56,000. After paying salaries, the cost of bank notes, rent and so on, totalling nearly \$14,000, dividends of over \$11,000, and interest paid or provided for of over \$14,000, there remained a profit of close to \$17,000 to be carried forward to the credit of the profit and loss account. Of this, \$10,000 became the basis of the bank's contingent or "rest" fund. Paid up capital now exceeded \$200,000, and loans amounted to over \$658,000. The board of directors from the first year all offered to stand for reelection, and all were returned for a second year.<sup>(21)</sup>

In his address to the shareholders, MacArthur talked about the great Winnipeg boom and bust. The harsh lessons it taught to the business community, MacArthur stated, "will not soon be forgotten; and they have



Face of unique unredeemed \$5 note 1885. Private Coll'n

already produced good effects in making us more prudent and economical, as well as more industrious and self-reliant."

Ever looking ahead, MacArthur drove home the need to populate the province, by means of European immigration, regarding this as even more important than the construction of the Hudson's Bay Railway,

"for without sufficient population to develop the country, railways are comparatively useless and the values of real property in Winnipeg and in other towns of the Province, as well as of farmlands, must necessarily continue to be uncertain and unstable, and until our towns have a backbone to their trade in the shape of a dense farming community, business can never be in a sound or satisfactory shape." (22)

Over the next year the bank continued to pay dividends at the same annual rate of seven per cent. (23) The second annual meeting of shareholders took place on 26 May 1887. By this time loans amounted to over \$817,000, with a further amount exceeding \$16,000 classified as "overdue". Total assets, including doubtful ones such as the last named, were now just under one million dollars and paid up capital exceeded \$260,000. In addressing the shareholders, MacArthur announced that the bank had

"met with a large measure of success during the second year of its existence. The public generally, both in Winnipeg and throughout the province, have continued to give it an increasing measure of support, and the result is we now have a very large number of accounts, and are doing, both in point of volume and amount, a very considerable business. Owing to the depressed state of the country for the last few years, great caution has had to be exercised in lending money and in conducting the operations of the bank

generally, and the bank in consequence has made no losses during the past year of any amount. The directors feel that this caution must continue until such time as the prospects of the country are placed on an assured basis, a time which they are glad to believe is now not far distant."

The capital, MacArthur noted, would soon be increased to \$300,000, at which point it was not intended to make any further calls on stock for some time, the amount stated being sufficient, in his view, for the requirements of business of the bank over the next year. While he claimed to be well satisfied with the amount of stock being taken up locally, which he preferred, there was good demand in England for the bank's shares and any portion of the unsubscribed stock could be placed there. The business of the second year generated sufficient profit to continue paying dividends at the seven per cent annual rate, and to double the size of the contingent account to \$20,000, now the basis of the bank's reserve or "rest" fund.

"It is a matter of much satisfaction," he continued,

"that the season has, so far this year, been auspicious and that a larger area than ever before has been placed under crop in the province, and the united and systematized efforts that will shortly be made to bring settlers to Manitoba and especially to the vicinity of Winnipeg will, I believe, be crowned with signal success. This matter of securing the settlement of our vacant land is, as I have had cause on more than one occasion formerly to remark, a vital one, and lies at the very root of the prosperity of every individual and of every industry in the Province. Our uncultivated lands are of no more value to us than so much water or sand, until we place set-



Back of unique unredeemed \$5 note 1885. Private Coll'n

tlers upon them, and there is no subject upon which we, as a people, ought to be more united, or in regard to which we should work more harmoniously and determinedly than this."

The annual meeting closed with the election of directors, and W. L. Boyle, on the point of leaving Winnipeg for a time, did not stand for reelection. R. T. Rokeby was elected to fill the vacancy. <sup>(24)</sup>

During the "crop moving" months of the next year the bank's circulation exceeded \$270,000. <sup>(25)</sup> All was not completely well, though, the bank having failed to attract any government deposits. The federal and provincial governments usually kept balances spread around the various chartered banks to pay their expenses, and one might expect the only local bank in Manitoba not to be left out. The Assistant Receiver General at Toronto, C. J. Campbell, confided in a private memorandum to the Deputy Minister of Finance, J. M. Courtney, on 29 March 1888:

"It is whispered that the Commercial Bank of Manitoba is in trouble, & you can readily credit the rumours if you refer to the last returns, \$65,000 (*of readily available assets*) available to meet \$693,000 circulation & deposits. It is true they have 95,000 in cheques & balances against Banks but how much of that would be found to be available in the event of disaster. D. MacArthur, the Pres. holds \$179,200 in stock, of which he has only paid up 34,840. Andrew Allan 25,000 paid up in full - too much money has been locked up in long dated bills." <sup>(26)</sup>

What can we make of this rather grim report? First of all, it is perhaps best to know that Campbell had a habit of running to Courtney and announcing that "the sky is falling" whenever he had the least suspicion that a

bank may be getting into trouble. About the same time he was practically predicting the demise of The Canadian Bank of Commerce! <sup>(27)</sup> However, in this case he was not overreacting - there were certain difficulties in The Commercial Bank of Manitoba. Lack of adequate liquidity was a serious and persistent problem, which more than once had MacArthur scrambling in desperation to shore up his position, at least for the short term. It is also true that MacArthur had subscribed for an enormous block of stock, and *never* paid up more than twenty per cent on it. That may have had more than a little bearing on his announcement, at the 1887 shareholders meeting, that further calls on stock would cease for the time being. Finally, the remark concerning money locked up in long term loans may be very significant. Such lockups precipitated the failure of a good many honestly run local banks in nineteenth century Canada.

The information secretly conveyed to Courtney by Campbell would help to ensure that MacArthur's bank would not receive federal government deposits. However there was also a political reason why such support would have been unlikely, which will be dealt with shortly. The shareholders would soon be meeting for the third time and MacArthur needed some good news to present. The bank was in difficulties, undoubtedly, and a big increase in public deposits were seen as a viable solution. The provincial treasury remained the best hope for the support the bank so badly needed. The province had been keeping about \$25,000 in its account with the bank, but this had dwindled to \$3,300 by the end of 1887, augmented with a little injection of \$5,000 early in 1888. <sup>(28)</sup> MacArthur was very well connected politically, and it was time for him to call in some favours. He wrote to Thomas Greenway, Premier of Manitoba, to make his pitch:





Commercial Bank of Manitoba \$5 1885, Canada Bank Note Co. National Currency Collection. Photo by Zagon.

"I should be glad if you could give the Bank a share of the proceeds of the current Loan as a deposit on which we shall allow the usual interest. Our annual meeting takes place in a soon time and I am desirous to show as good a statement as possible at the end of this month.

I may say that the Commercial Bank has during the last 6 months done a great deal for the country in advancing money to move the crops to market. We have given advances to country store keepers, a thing rarely if ever done before, and we have thus enabled them to compete with the large buyers who frequently combine to keep prices down. Our policy is the development of the province by every legitimate means and I shall be very grateful if you can recognize the Bank's usefulness by giving us a deposit."<sup>(29)</sup>

How could a politician turn down an enterprise of such importance to the province, especially considering that MacArthur was briefly the MLA for Assiniboia, having won a byelection in January 1888? The premier's initial response seems to have been in the form of a vague expression of support at some later time, the typical political stance. On 1 June 1888 MacArthur replied to the premier, "... I shall highly appreciate your making a deposit with us when the time comes. It will have an excellent moral effect in our favour."<sup>(30)</sup>

Greenway's foot dragging, according to the analysis of a local political figure, would discourage MacArthur from taking on the prime minister's wavering ally, Sir John Norquay, in the provincial election, in support of Greenway.<sup>(31)</sup> MacArthur did contest the Kildonan riding after all, but lost by only two votes.

Eventually the provincial government came through with a quite substantial deposit. About \$85,000

from the Manitoba treasury was in the bank in 1893.

### TANGLING WITH THE CANADIAN PACIFIC RAILWAY

While MacArthur was struggling with these problems, he was greatly bothered by another one, which appears to have been to some extent of his own making. MacArthur and the Canadian Pacific Railway were at war.

One of MacArthur's many business interests was in railways. The CPR was given a monopoly of all business south of its transcontinental line, and MacArthur attempted to break that monopoly. In 1882 he was President of the Portage, Westbourne and North Western Railway, later taken over and renamed by Sir Hugh Allan. MacArthur was connected to the Allan's both through The Merchants Bank of Canada, and the private banking firm of MacArthur, Boyle and Allan. The intention was to construct a rail link from the border of Manitoba and the U.S. through Prince Albert to Edmonton. In addition to that, MacArthur was in 1883 President of the Manitoba Central Railway, which had a provincial charter to run a line south to the U.S. border. The federal government, which had protected the CPR with the monopoly provision, could not and of course did not sanction these attempts to break the monopoly.<sup>(32)</sup>

In 1888 the general manager of the CPR, W. C. Van Horne, directed the officers of his line to return immediately for redemption all notes issued by The Commercial Bank of Manitoba that were received in the course of business. Maybe he was looking for a little unsubtle revenge; maybe he had heard that the bank was not in a healthy state financially; and maybe the truth lies somewhere between the two. The damage to the bank



Commercial Bank of Manitoba \$10 1885, Canada Bank Note Co. National Currency Collection. Photo by Zagon.



Commercial Bank of Manitoba \$10 1885 Die proof vignette (Prairie) W. D. Allan Coll'n.

was done chiefly to its reputation. If the CPR alone wouldn't take its notes, it was not a matter of overwhelming concern. But many others would take alarm upon hearing about the CPR action and also refuse the bank's notes, to its very serious injury.

MacArthur contacted Premier Greenway with his complaint, in a confidential letter penned in his own neat but unusual handwriting:

"You are aware of the dastard attempt made by the CPR on this Bank, about a month ago, by giv-

ing instructions to all their agents in Manitoba & the North West to discredit our notes. This, as you will readily understand, has given me much trouble and annoyance, and it has led to a good many of our notes being sent in for redemption and I am anxious, as our annual meeting is approaching, to shew as good a statement as I possibly can and thus neutralize the injury done to us by the CPR."

In addition to complaining about the CPR's actions and stressing the need for having a cheerful report

## COMMERCIAL BANK of MANITOBA, WINNIPEG.

*Capital paid up, - - - - \$270,000*  
*Reserve Fund, - - - - - 20,000*

### Board of Directors:

Duncan MacArthur, Esq., - - - *President.*  
Hon. C. E. Hamilton, - - - *Attorney-General.*  
Hon. John Sutherland, - - - *Senator.*  
Alex. Logan, Esq., - *Ex-Mayor of Winnipeg.*  
R. T. Rokeby, Esq., - - *Of Carberry, Man.*

### AGENTS IN NEW YORK:

*The Merchants Bank of Canada.*

*The Commercial Bank of Manitoba being the only local chartered Bank in the Province, has unequalled facilities for making collections at all points in Manitoba and the North-West Territories.*

*Correspondence solicited.*

Commercial Bank of Manitoba, Winnipeg.  
Advertisement. P. Berry Coll'n.

for the shareholders, MacArthur disclosed a very large problem the bank was having with the Allan empire, and enlisted the premier's support. The Allan's used their own bank, The Merchants Bank of Canada, to support their business empire, as if its assets formed part of their family treasury, and evidently thought to use MacArthur's bank in the same way! MacArthur continued to unload his concerns onto the premier,

"The St. Paul Construction Co. of which Mr. Andrew Allan is President and a large stock holder, owes us a considerable amount which is overdue but quite secured. The payment of this amount is deferred to suit their own convenience, and I think you can do me an important service by writing to Mr. Allan a letter to the effect of the one

of which I enclose a draft, and if you will be good enough to do this I shall not only feel very much obliged, but will be happy to reciprocate, when in my power to do so.

I am writing Mr. Allan today and I shall be glad if you would forward your letter by today or tomorrow's mail. Please regard the content of this letter and of the accompanying draft as communication in the strictest confidence."<sup>(33)</sup>

This letter, to Andrew Allan, shows how concerned MacArthur was that The Commercial Bank of Manitoba might be on the brink of disaster:

"You are aware of the attempt which was made some time ago by the CPR Co. to injure the Commercial Bank of Manitoba. This attempt to hurt the only local institution of the kind in the Province has been resented by the entire people of Manitoba and the North-West, as it very properly should have been.

I am desirous, in the interests of the public, that the bank should be sustained, especially under the circumstances and I understand that the Manitoba and Northwestern R.R. Co. [FN 1] or the construction company which built that road and of which you are President, owe the Commercial Bank, an amount which if paid now, would be of material assistance to it, and my object in writing you is to urge as strongly and respectfully as I can, in the interests of the Province, that no time should be lost in arranging the matter. This will be to the interest of the Manitoba and Northwestern Railway as well as to the interest of the great body of the public, for you can readily understand then if anything should happen to the Bank it would amount to a public calamity which is to be averted by all possible means."<sup>(34)</sup>

MacArthur must have felt very secure with the premier in order to suggest the words he might write in the bank's behalf! A copy of his "draft", unfortunately, has not come to hand. MacArthur did not let his campaign against the CPR rest with the provincial premier alone, but even stormed the gates of Ottawa!

MacArthur reacted in a direct fashion, going right to the top of the CPR hierarchy, thoughtfully sending a copy to Prime Minister Macdonald himself. Sir George Stephen, President of the CPR, justified the railway's actions in letters of 2 and 3 April, 1888. These referred to rumours concerning the position of the bank, and to the latest published statement of bank returns. MacArthur responded hotly, and bluntly, that he had never heard any rumours of this kind until they were

FN 1. This rail line was an Allan-dominated company and successor to a railway started by MacArthur. MacArthur was vice president of the Manitoba and North-Western Railway Co. of Canada in 1884. (Eleanor Stardom, *Dictionary of Canadian Biography*, vol. XIII, s.v. MacArthur, Duncan, pp 608 - 609)

started by CPR agents in Manitoba, acting under orders received from Montreal! As far as the bank returns were concerned, MacArthur claimed, these had not changed materially over the past two years. The bank was admittedly small, but, he insisted, it was in a sound condition. He presented the following arguments against the action taken by the CPR:

1. The total circulation only averaged about \$250,000, spread over Manitoba and the North West Territories (i.e. Saskatchewan and Alberta), so no large amount would be in the hands of the CPR at any one time, not averaging \$2,500 a day based on the sums returned for redemption by the banks used by the CPR.

2. CPR agents were already returning Commercial Bank of Manitoba notes promptly, making the instructions totally unnecessary.

3. Under the version of the bank act then in force, redemption of the circulation was given first priority when an insolvent bank was liquidated.

4. The "debt" of the CPR to The Commercial Bank of Manitoba consistently exceeded that of the bank to the CPR, according to a convoluted argument made by MacArthur, in the sense that the bank made advances to CPR contractors, and to its customers against railroad receipts. MacArthur concluded by stating that the bank had suffered serious losses of deposits and circulation because of the CPR stance, but would stand or fall on its own merits without leaning on "any outside props or supports" - this at a time when the bank was besieging the provincial treasury for deposits! He made a veiled threat to attack the CPR action at the annual meeting which was causing him such grave concern, and suggested that a quiet settlement of the controversy would be best for all concerned.<sup>(35)</sup>

Some sort of cooling of ardour may have been achieved, for the published report of the 1888 annual meeting of shareholders made no unfriendly mention of the CPR. The report instead made rosy statements about the good crop prospects, and even credited improved railway facilities with placing business on a better basis than it had ever been. After allowing for the usual dividends, the customary seven per cent in two payments, the bank's profits were still sufficient to add another \$5,000 to the rest, bringing it up to \$25,000, and leaving a small increment to be carried forward to the credit of the profit and loss account. Overdue debts, at least those acknowledged, now exceeded \$21,000, which would have consumed most of the year's profit had full provision been made for them.<sup>(36)</sup>

New branches continued to be added to the bank's network in Manitoba. Portage la Prairie was to receive a branch, to be managed by a Mr. Pitblado,<sup>(37)</sup> and another for Morden was in prospect a near the end of 1888.<sup>(38)</sup>

The following year is notable for the lack of

information at hand. However 1889 does not seem to have been a good year for the bank. No notices of new branch openings have been found, and profits must have been disappointing, no increase having been made to the reserve fund. The directors were all reelected. MacArthur took a holiday to visit his native Scotland, where he extolled the advantages of emigration to Manitoba. He gave a speech to the literary institute at Nairn, his birthplace, on 29 August, praising Manitoba's rich agricultural land.<sup>(39)</sup>

The next fiscal year presented an optimistic aspect for the bank and its shareholders. A new branch was announced for Minnedosa in January 1890, with Henry Fisher appointed manager.<sup>(40)</sup> The general annual meeting in May 1890 must have been a happy occasion, the profits being sufficient to add a further \$15,000 to the bank's reserve fund, which now reached \$40,000. The board was enlarged from five to seven directors. The names of two of the original directors, Hon. John Sutherland (a Dominion senator) and Hon. C. E. Hamilton, dropped from the list, leaving only MacArthur and Logan, a Winnipeg Mayor, from the original board and Rokeby, a director since 1887. The four new names added were John Robertson, Norman Matheson, G. H. Strevel and Hon. A. A. Lariviere. Strevel was a railroad contractor and the last named presided over the empty provincial treasury. Towards the end of 1890 the bank had four branches in operation, including one newly opened at Virden. The branches are listed below with their managers:

Portage la Prairie	H. Fisher
Morden	C. R. Dunsford
Minnedosa	C. F. Grant (acting manager)
Virden	Robert Adamson

At this same time, John Robertson no longer occupied a seat on the bank's board, having been replaced, briefly, by Hon. C. A. Boulton, a Dominion senator. R. T. Rokeby was both vice president of the bank and its acting general manager.<sup>(41)</sup> Of the \$2 million authorized capital, \$700,700 was subscribed, and of that, \$451,000 had been paid up. Paid up capital was only \$380,000 the previous May, so the bank was evidently preparing to expand its operations significantly. The bank seems to have been keeping up its circulation very well, with \$400,177 reported on 23 Jan. 1891<sup>(42)</sup> (circulation was limited to the amount of paid up capital).

MacArthur's bank continued its vibrant growth into 1891, opening a branch at Boissevain early in March.<sup>(43)</sup> William Cowan was its manager. The structure used for the branch was built for The Union Bank of Canada. In later years it served as a barbershop and pool room, then, with an addition on the back, a restaurant, "The Peace Gardens Cafe". The town of Carberry also received a branch, under the management of J. D. Campbell, apparently in the first half of 1891. The only



Commercial Bank of Manitoba \$5 1891 Proof. Ex BABN Archives. Photo W. D. Allan

branch operated by the bank outside of the Province of Manitoba was opened in Fort William, Ontario, under the management of A. H. Dickens. The branches were all subjected to inspection, and all, according to MacArthur, "returned satisfactory results". The Commercial Bank of Manitoba also established an agency in London, England, under the charge of R. A. Maclean & Co. to handle exchange transactions and other business.

The sixth annual meeting was held on 17 June 1891 and again the shareholders were given ample reasons to be pleased with the progress of the bank, whose total assets were now just under two million dollars. The previous year's profits were over \$42,000, enough to pay the usual seven percent dividends (in semiannual payments) while leaving \$10,000 to be added to the reserve fund, now a respectable \$50,000. Paid up capital had reached \$525,010, an increase of nearly 38% since the last annual meeting. This was achieved by the sale of additional stock, not by further calls on stock previously subscribed. One suspects MacArthur did not want to have to make additional payments on his huge block of shares. In his sunny address to the shareholders, he said,

"...there is still a constant enquiry for our shares. A gratifying circumstance in this connection is that a comparatively large demand for our stock has arisen in this province during the past twelve months, thus showing that funds are becoming available for local enterprises, and that our stock is a favorite security. The directors have under consideration the propriety of making a further increase to the capital stock during the current year, in order to meet the increasing requirements of our business."

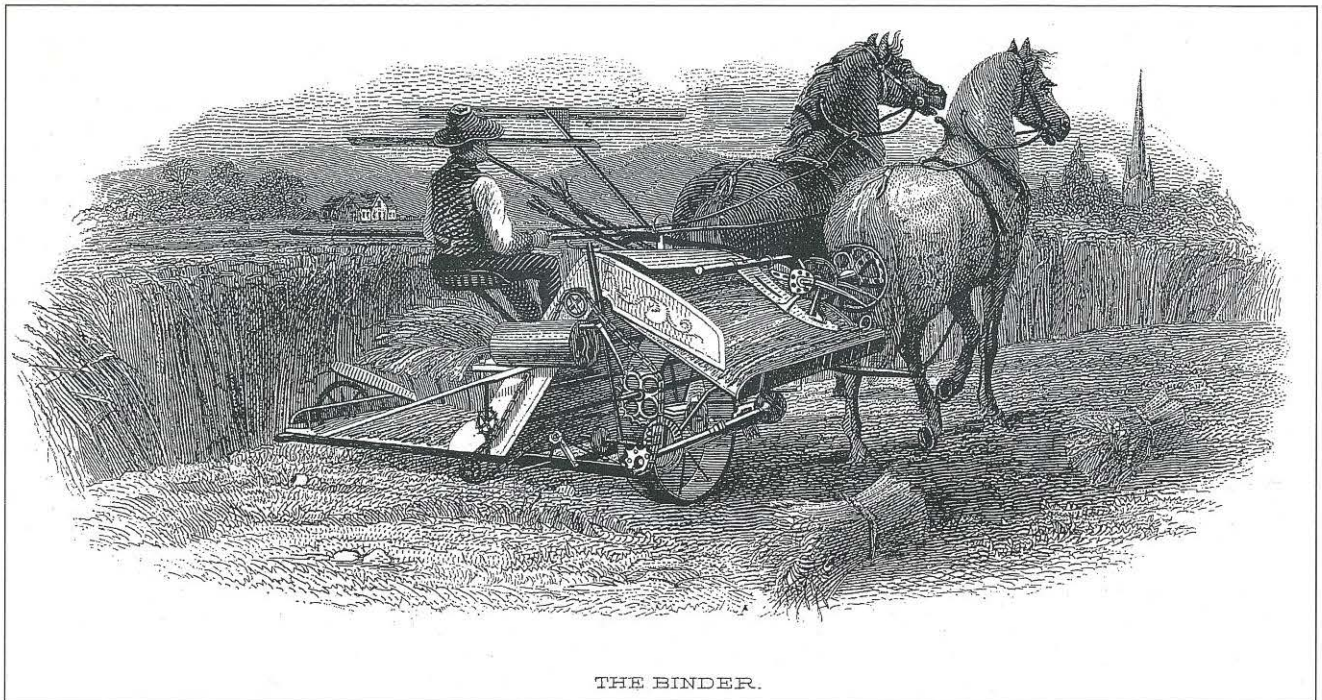
MacArthur closed his address by making reference to the increased acreage under cultivation in Manitoba, and the prospects for an unusually fine harvest. "In conclusion," he remarked,

"your directors think there is reason to be satisfied with the progress which the bank has made during the six years it has been in existence, and they are sanguine that under the same cautious and conservative management which has characterized its operations in the past, its future success will be assured, and that it will continue to be a growing and influential power in the legitimate development of Manitoba and the North-West Territories."

The seven directors were all reelected except for Senator Boulton, who was replaced by Israel M. Ross. MacArthur and Rokeby were reelected president and vice president respectively. <sup>(44)</sup> Rokeby was also promoted from acting general manager to general manager. A. A. Jackson was the accountant.

The new Bank Act went into effect on 1 July 1891, and with it the bank's charter was renewed. A feature of the new act was the Bank Circulation Redemption Fund, to which all chartered bank notes were thereby guaranteed, there could be no longer be any acceptable reason for the C.P.R. to attack MacArthur's bank as they had done a few years earlier. By this time the bank's second issue of notes, the BABN printing, had entered circulation and were described as "handsome". <sup>(45)</sup>

The bank had to come to terms with one of the inconveniences of having its head office so far removed from the financial centre of the country. Dominion notes were in short supply in Manitoba at times, and chartered banks had to remit gold (bank legals came a little later) to acquire a supply from the local assistant receiver general's office. MacArthur had to redeem his notes on the basis of Dominion notes or gold if the presenting bank so wished, but when he presented notes on his competitor's banks, they were able to get away with redeeming them



THE BINDER.

Commercial Bank of Manitoba \$5 1891 Die proof vignette (The Binder) W. D. Allan Coll'n.

with a settlement cheque on their head offices.<sup>(46)</sup> Being thus disadvantaged, MacArthur asked H. R. Drummond, the ARG at Winnipeg, whether he could obtain Dominion notes in exchange for drafts on the Ottawa branch of The Bank of Montreal. Drummond did not feel inclined to bend the rules without specific instructions from his superior, J. M. Courtney.<sup>(47)</sup> MacArthur accordingly took his complaint to the top official, as was his custom, seeking \$50,000 in Dominion notes for his reserves, but was disappointed to find Courtney distinctly uncooperative. (48) The matter was apparently dropped, and the bank had in some way to come up with sufficient gold to pay for the needed Dominion notes after scouring all the other banks in Winnipeg netted only \$5,000 worth.<sup>(49)</sup>

Another new branch was announced in September 1891, for Emerson, Manitoba. The manager was to be - Duncan McArthur! Now, it would have been most odd for the president of a bank to be named manager of a rural branch. This was, coincidentally, another banker with almost the same name. McArthur had operated a private bank in Emerson in years previous, where he was also a broker and U.S. consular agent.<sup>(50)</sup> In Ontario banks often expanded by absorbing an existing private banking business, the former owner usually being ap-

pointed branch manager, and The Commercial Bank of Manitoba emulated them in this instance. The branch network as of March 1892 consisted of the following:

Boissevain	F. W. Young
Carberry	J. D. Campbell
Emerson	Duncan McArthur
	Fort William A. H. Dickens
Minnedosa	C. F. Grant
Morden	C. R. Dunsford
Portage la Prairie	H. Fisher
Virden	Robert Adamson <sup>(51)</sup>

No changes were made in the branches or their management by Dec. 1892 apart from the addition in June of yet another branch, the bank's ninth, in Souris. The bank included among its services, "Deposits received and interest allowed. Collections promptly made. Drafts issued available in all parts of the Dominion. Sterling and American Exchanges bought and sold."<sup>(52)</sup> By April of the fateful year of 1893, the Carberry branch was gone. Minnedosa had a new manager, E.O. Denison [FN 2], and the Souris branch was managed by Henry J. Pugh.<sup>(53)</sup>

An examination of bank returns by finance department officials showed that the capital of the bank was impaired between September 1891 and March 1892,

FN 2. E. O. Denison had a private bank in Minnedosa. The Commercial Bank of Manitoba, had it bought him out, would probably have installed him as manager of the Minnedosa branch at once. Since he replaced C. F. Grant, who held the position for a number of years, it seems likely that Denison started up his private bank after the failure of the bank which employed him.

For further information on the life of E. O. Denison, see Donald M. Stewart, E. O. Denison - Private Banker, *Canadian Paper Money Journal*, April 1986, pp 49 - 50.

the extent of the impairment reaching a maximum of \$81,377, or about fifteen per cent of the capital, in the latter month. (54) This does not appear to have been brought to the attention of the general public.

In 1892 Ralph Thomas Rokeby, general manager of the bank, was replaced as vice president by Israel M. Ross. The number of directors was reduced, apparently, to six, with Rokeby relinquishing his seat on the board. The former provincial treasurer, Lariviere, was replaced by E. F. Hutchings, a wholesale merchant. Other directors retained their positions. At the annual meeting for 1892 MacArthur delivered his ever-optimistic report, claiming increasing business in Winnipeg and in the branches. An annual profit of over \$46,000 provided for dividend payments, the writing off of a little over \$9,000 on bank note plates, depreciation, and so on, leaving some \$6,900 undivided profit to carry forward. No addition was made to the rest but a contingent fund of \$5,000 had been set up, outside the rest. Total assets stalled tantalizingly close to two millions, but circulation was now not quite \$300,000, under 55% of the allowable maximum. Acknowledged overdue debts had increased to almost \$59,000. Worse, the annual report shows that the bank was being kept afloat by a competitor, having been granted a loan of \$100,000 by another bank, almost certainly The Merchants Bank of Canada. This loan was no doubt well secured by some of the Commercial Bank of Manitoba's best paper. Cash assets were, as usual, very low, most of the bank's money being out on loan, leaving it ill prepared to meet any sudden demand. Of these difficulties, MacArthur's published remarks make no mention. He reported that paid up capital had reached \$546,950, with the prospect of further increases within the year. Immigration to the province had increased to the highest level in the past decade, and a good crop was anticipated. "In conclusion," MacArthur stated, "your directors think there is much reason to be satisfied with the outlook generally, and they are satisfied that the bank will continue to participate in the growing prosperity of the country." (55) As events unfolded, it did not.

The bank ordinarily paid its shareholders a 7% dividend, but in October 1892 a dividend was declared at the reduced annual rate of 6%. (56) Interest rates had been in decline, and with them, the bank's profit. Something significant evidently had happened causing the dismissal of the bank's general manager, R. T. Rokeby. He was replaced by the former accountant, A. A. Jackson. Rokeby still resided in Winnipeg and was president of the Portage Milling Company, of Portage la Prairie; Jackson boarded at the Manitoba Hotel. (57)

#### **COMMERCIAL BANK OF MANITOBA SUSPENSIONS, 3 JULY 1893**

In the middle of 1893 a severe worldwide de-

pression was brought on by an ill-advised American monetary policy involving the free coinage of silver. Some American railroads went into receivership, and there were other big commercial failures. Six hundred, mostly smaller, banks in the United States collapsed, while the larger ones were better able to withstand the buffeting inflicted upon them. The Australian banking system was very badly battered. In Manitoba the depression was intensified locally by natural disasters. Insects and disease ravaged the wheat crop, for which prices were already too low. The CPR was hard hit and officers' salaries were reduced as part of general cost cutting. (58) But there was only one Canadian bank failure in that difficult summer.

Other bankers were well aware that The Commercial Bank of Manitoba was in an insecure position, and while they thought about it a great deal, and concluded that the bank would come to a stop at some future time, they said nothing publicly for obvious reasons. The imprudent excess of investment in local development, likely to result in lockups of capital, was well known to other bankers and resulted in their withdrawal of confidence in the Commercial Bank. The protracted winter of 1892 - 1893 tried the bank severely, as it found it increasingly difficult to redeem its circulation which returned in the normal course of business. (59)

During the last week of June rumours swirled around that the bank was in a very weak condition. Depositors formed increasingly long queues to withdraw their savings, which could only be paid out in the bank's own notes, a situation which could not last more than a few days. The strain culminated in a serious run on Friday, 30 June, when it was reported that \$100,000 had been drawn out. The Merchants Bank of Canada had evidently decided to hold the line and refuse any further advances, and MacArthur had no choice but to suspend payment on the next banking day, Monday, 3 July 1893. A reporter had been dispatched to Kildonan Friday evening, and again the next morning, to get a story from MacArthur but the banker was too distressed and exhausted, and could not trust himself to give an interview. Saturday morning MacArthur met with the other available directors and, fearing a repetition of Friday's run, they concluded that there was no alternative to suspension. He still exuded the old confidence, assuring the reporter that the bank would be reorganized and revived, and claimed to be certain that all depositors would be paid in full. Managers of the branches were summoned to Winnipeg for a meeting of the directors, and the local unit of the Banker's Association met. The latter group struck a committee which offered to look into the bank's securities, with a view to offering their assistance to keep the institution open. The fact that the directors had already made the decision to suspend strongly suggests that the outside bankers would not have been impressed

had they been permitted to examine the books.

Deposits, according to the statement below, were still in the vicinity of \$800,000, after the run had taken place. The provincial government was said to have \$85,000 in the bank. Because the notes were secured by the Bank Circulation Redemption Fund, set up under the 1890 revision of the Bank Act, there was no panic concerning the circulation, and other banks would accept Commercial Bank of Manitoba notes without hesitation.<sup>(60)</sup>

A few depositors gathered around the bank early Monday morning, but upon finding that they would not be admitted, quietly dispersed and resigned themselves to awaiting further developments. The directors met again that morning to discuss the affairs of the bank and decided in favour of liquidation, putting away the fantasy that the bank could be reorganized and resuscitated. They named as liquidators one of their own number, I. M. Ross, and the assistant manager of the Merchants Bank branch, F. W. Ferguson, who accepted the task with the greatest reluctance.

To initiate legal proceedings, the Commercial Bank refused to pay a \$10,000 demand note held by the Merchants Bank. Examination of the financial statement of the Commercial Bank showed that it was incapable of meeting claims against it as they matured. Formal application to wind up the bank was made in court on the same day, by the lawyer acting on behalf of The Merchants Bank of Canada. Total indebtedness of the failed bank to the Merchants Bank was about \$160,000 to \$170,000 but was considered to be absolutely secure. Another large creditor, the provincial government, was also represented in court. A meeting of the creditors was set for 17 August. The lawyer for the Commercial Bank consented to the arrangements for liquidation. He said that the assets, it was believed, would be in time prove to be sufficient to meet the liabilities without having to make any call upon the shareholders. This turned out, once again, to be excessively optimistic. (Under the Bank Act, by a provision known as *double liability*, shareholders were liable for up to the par value of their stock in the event of a bank failure.) A statement was

published showing, in round figures, the position of the bank:

Loans and discounts were to a considerable extent unavailable assets. A large portion of the total could not be collected any time soon, or in full, and some of it could never be collected at all.<sup>(61)</sup> Both MacArthur and the general manager were heavily in debt to the bank.<sup>(62)</sup>

Many factors contributed to the failure of The Commercial Bank of Manitoba. Perhaps the principal one to be considered was MacArthur's own sunny disposition, and his eagerness to help loan applicants who should have been politely shown the door. Much of the bank's business consisted of a poorer calibre of loans extended to those who had been refused by other banks. A large proportion of the bank's assets were locked up in local improvements. While this was laudable in terms of the progress of the province, in which the bank played a large part, it was very dangerous for the bank to have money tied up for long periods and unavailable in a crisis such as the one that occurred at the end of June. Some of these amounts could be recovered eventually, while others had to be written off as hopelessly lost.

The bank did not get into trouble all at once but was headed in that direction from the beginning, when it began business with all the accounts, good and not so good, of MacArthur's former private banking company. If directors Strevel, Ross and Hutchings can be believed, and they probably can, the bank was deeply mired in difficulty before they joined the board at various times between 1890 and 1892. Feeling stung by the loss of reputation brought on them by the bank's failure, these directors let it be known that they were not responsible, and in fact they had wrestled mightily for months to rescue the bank, but were finally prevented from doing so by the 1893 financial crisis. One published report accused the former general manager, R. T. Rokeby, of having plunged the bank into its financial mess. According to this report, after Rokeby left the bank, the directors struggled but were unable to recover from obligations incurred during his management. There may well be some truth in this, but it would be unfair to heap total responsibility onto him.

**LIABILITIES**

Notes in circulation	\$400,000
Deposits	\$800,000
notes, cheques of other banks	
Loan from Merchants Bank	<u>\$170,000</u>
	\$1,370,000

**ASSETS**

Deposits with Dominion gov't. [FN 3]	\$19,750
Special Dominion notes	\$31,612
Due from other banks	\$54,900
Debentures	\$53,074
Real estate and mortgages	\$53,280
Bank premises	\$18,500
Loans and discounts	<u>\$1,750,000</u>
	\$1,981,116

FN 3. This deposit, calculated at five per cent of the average amount in circulation, was required under the Bank Act to be paid into the Bank Circulation Redemption Fund.





Commercial Bank of Manitoba \$5 1891, British American Bank Note Co. Head Office, 439 Main St., Winnipeg at left, Duncan MacArthur at right. National Currency Collection. Photo by Zagon.

The bank was attempting to do too much business on a very limited capital, and here again much of the blame must be attached to MacArthur. He held an enormous block of the bank's stock, 1717 shares, on which he had only paid in twenty per cent of the par value. He was certainly not the only offender, but many other shareholders had paid up their stock in full. Some payments on stock were made only with promissory notes, resulting in the bank effectively having a smaller capital than it alleged. Another factor militating against the bank, and against any small local bank, was the fact that its business was concentrated in a relatively confined geographical area, too closely identified with agriculture and its spin-offs, and could not draw upon a diversity of strengths elsewhere when the Manitoba wheat economy suffered a downturn.

Accusations were made that the bank had submitted false returns to the government, but these were not very well substantiated. (63) The \$50,000 reserve was alleged to have been a fiction, and in a way it was, having been swept away in bad loans. It would have been more forthright to have used the bank profits to write off losses as they arose, rather than to build up a reserve founded upon them. It was observed that in spite of what had just happened, there was no tendency for the public to detach themselves from small banks. On the contrary, there was a widespread notion that such banks were especially serviceable to local interests.

#### LIQUIDATION

At the August 1893 meeting of creditors Mr. Ferguson informed them that bad and doubtful debts amounted to about \$330,750, which would reduce the amount refunded to shareholders by nearly sixty per cent. A repre-

sentative of shareholders and creditors in England, supported by a large number of others in Manitoba, hoped to see the bank reorganized and revived under different management. Failing that they wished for the appointment of Henry Fisher, John S. Ewart Q.C. and Israel M. Ross, all of Winnipeg, as liquidators. (64) The actual appointments, however, went to Ewart, Ferguson and Wm. Hespeler.

The business of liquidation imposed a good deal of unpleasantness on debtors who were unable to repay their loans. One small example will be given, typical of many others. The assets of Thompson Bros., produce dealers at Emerson, were advertised for sale under the power of a chattel mortgage in favour of the Commercial Bank, for \$5,000. (65)

The liquidators were under a great deal of pressure to accumulate funds for the redemption of the bank's notes. The Bank Act provided for six per cent annual interest to be paid on notes not redeemed within two months of suspension, and this grace period expired on 3 September 1893. Accordingly, notices were published that interest would be paid on Commercial Bank notes from the date of suspension until the day arrived that the notes could be redeemed. Interest paid on the circulation would threaten, at least in a small way, the repayment of less privileged creditors, mainly depositors, and would most certainly injure the shareholders, so there was widespread agreement that the notes should be redeemed without additional delay. J. M. Courtney, deputy minister of finance, was adamant about this, and threatened to draw on the Bank Circulation Redemption Fund for the purpose, as provided by law. The chartered banks recoiled at the prospect, since they would have to contribute additional money to compensate the fund. A flurry



Commercial Bank of Manitoba \$5 1891 Proof Back. Photo W. D. Allan

of letters between the finance department and leading bankers erupted. George Hague, General Manager of The Merchants Bank of Canada, was in the forefront, since he represented the largest creditor, and liquidator Ferguson's employer. Ferguson informed Courtney that the outstanding circulation stood at \$399,215, of which the chartered banks were holding \$325,000, most of it in Winnipeg. The liquidators had collected in \$220,231 at the time of writing, which was kept in The Imperial Bank of Canada branch. Ferguson proposed to reserve \$50,000 of this to redeem notes held by individuals as they may be presented, and apply the balance to providing a partial payment to the banks. Interest would still be due to the banks on the unpaid portion. He thought this would be sufficient to keep the government from intervening and drawing upon the Bank Circulation Redemption Fund, and had Hague's support, as well as that of the other bankers concerned.<sup>(66)</sup> But Courtney was by no means satisfied with this, and wanted to tap the Fund for the other \$150,000 needed, to prevent the erosion of the failed bank's assets by interest payments.<sup>(67)</sup> Meanwhile, Ferguson had published notice that redemption of the notes, with interest, would begin at the former Commercial Bank building, 439 Main Street, now used as the office of the liquidators, on Saturday, 16 September, between the hours of 10 A.M. and 3 P.M. By noon, \$174,000 of the bank's paper had been redeemed.<sup>(68)</sup>

Courtney advised both Ferguson and Hague of his intention to tap into the Bank Circulation Redemption Fund. Hague returned a rather nonchalant reply, that the deputy minister must do what he must. Courtney then proposed that he would not touch the Fund if the banks agreed to forgo the interest on the notes they were still holding. Not receiving a clear reply, Courtney wired this ultimatum to Ferguson on 16 October, "You are either to

take the money from the Fund or stop paying interest to the Banks. Reply which you choose." In a follow up letter, Courtney, showing his exasperation, pleaded, "Pray let me have a definite and distinct answer to this so that the matter may be settled one way or the other."<sup>(69)</sup> But no immediate answer was received. Courtney again threatened government action, in a crisp letter to Hague, "I have kept the matter open far too long in the expectation that the banks would take definite action, but as no answer can be procured I intend, unless things are settled, to instruct our Assistant Receiver General at Winnipeg by telegram to insert a notice in the papers to the effect that he will redeem the notes and that interest will cease".<sup>(70)</sup> Hague shared the information with other bankers, who were not pleased at the prospect of the redemption fund being used. J. H. Plummer, Assistant General Manager of The Canadian Bank of Commerce, pleaded with Courtney, "we think it would be a great pity for the government to intervene in the matter, as it would in our opinion give rise to injurious comments on Canadian Bank circulation, and unnecessarily disturb the present condition of matters, which if left alone will very soon right itself."<sup>(71)</sup> Courtney responded by calculating that about \$50,000 Commercial Bank circulation remained outstanding in the hands of banks, and if the notes were redeemed in sixty days the interest earned would be \$250. If the banks agreed to forgo this modest sum, the problem would be solved, and Courtney set another deadline during which time he was ready to talk to the bankers.<sup>(72)</sup> Similar correspondence was conducted with E. S. Clouston of The Bank of Montreal, in which Courtney revealed his feelings toward Ferguson, one of the liquidators, who, he said, was either a knave or a fool, for trying to force him to endorse Hague's policy, and who had "been shillyshallying ever since".<sup>(73)</sup>



Commercial Bank of Manitoba \$10 1891, British American Bank Note Co. Head Office, 439 Main St., Winnipeg at left, Duncan MacArthur at right. National Currency Collection. Photo by Zagon.

The banks, perhaps fearing a precedent would be set, refused to yield on the question of interest due them. Hague served notice that if the government broke into the redemption fund, which would of course require that the banks replenish it again, the banks would claim 6% interest from the government until their contributions were refunded again through liquidation of Commercial Bank of Manitoba assets. (74) The three-cornered debate between Courtney, the banks and Ferguson growled on and there is little point in recording every salvo and counter salvo here. Courtney seemed to think he had on his side D. R. Wilkie of the Imperial Bank, to whom he expressed his concern about setting a precedent by yielding to the banks, that if a great bank should fail and huge sums be required for interest, then the government could be sued by creditors and shareholders of such an institution. He asked Wilkie to see Plummer and win him over too. (75)

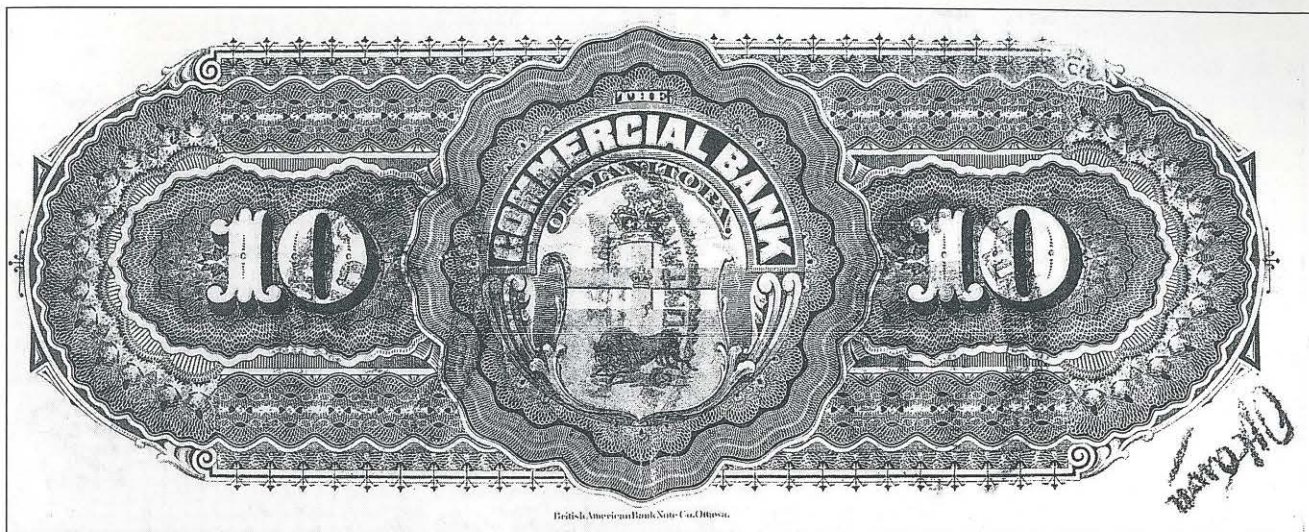
Courtney finally played what he thought was his trump card, instructing H. M. Drummond, ARG at Winnipeg, to proceed with redemption of Commercial Bank notes as of Monday, 30 October, taking the matter, as he thought, out of the hands of the liquidator entirely. Drummond was to advertise what was happening in three consecutive insertions, use the telegraph freely to consult with Courtney, and keep him informed daily of amounts redeemed. Wilkie was no more anxious than the others to see the redemption fund used, and instructed his Winnipeg manager to advance the necessary amount to the liquidator, provided the court gave authority for the move. (76) Wilkie of course fully intended that the estate of the Commercial Bank should pay interest upon this advance, otherwise the liquidator would be tempted to

stall repayment indefinitely. (77)

Meanwhile Courtney's man in Winnipeg, Drummond, advised his superior that \$72,865 in Commercial Bank notes remained to be paid, \$23,780 in possession of the banks and the balance in the hands of the public. He had not yet been presented with any notes for redemption. Drummond reported that he had seen the liquidator, who claimed to be prepared to settle with the banks in the next few days and redeem the rest as presented. (78) He advised Courtney two days later that he still had not been asked about redeeming any notes, and that the liquidator had paid off the banks in full, with \$42,490 now remaining in the hands of the public. (79) Ferguson, the liquidator, seemed to prefer to deal with the minister of finance rather than his deputy, perhaps not hard to understand in view of the low esteem in which he was held by Courtney. He provided much the same information as in Drummond's letter to the minister, noting that the publicly held circulation was coming in very slowly, and that he hoped to be able to pay the notes as they were presented and not have to call upon ARG Drummond. (80) Ferguson and the banks somehow seem to have completely circumvented Courtney and Drummond in the matter of note redemption. A year after the bank suspended, \$406,695 in bank notes had been redeemed, and \$5,581 paid in interest. (81)

The Winnipeg legal firm Macdonald [FN4], Tupper, Phippen & Tupper notified the minister of finance on 27 Mar. 1894 that the outstanding circulation was reduced to \$18,245. (No additional interest would have been earned because the notes were retained at the owners' option.) The Commercial Bank had more than that amount, \$19,750, lodged in the Bank Circulation

FN 4. Macdonald was the son of Sir John A. Macdonald; both Tupperes were sons of Sir Charles Tupper.



Commercial Bank of Manitoba \$5 1891, back. National Currency Collection. Photo by Zagon.

Redemption Fund, and the lawyers were asking all of it be returned to the liquidators. This is a striking example of taking "a long shot".<sup>(82)</sup> The finance department did refund, in several payments, the excess of the deposit held over the remaining circulation, which steadily declined. By 1896 only a few notes, sometimes as little as \$40, were being presented and redeemed each month. Ferguson finally ended his work as liquidator, and early in 1897 William Hespeler of Winnipeg was appointed sole liquidator.<sup>(83)</sup>

As the circulation account ebbed away, yet another controversy erupted. The bank had written off its circulation account the amount of notes known to have been destroyed accidentally, by burning. Courtney, as advised by the justice department, wanted that total returned to him because he considered the destroyed notes to be "outstanding circulation". In addition, he demanded a portion of unclaimed balances held by the liquidator.<sup>(84)</sup> Of course a great row followed. Legal counsel for the bank argued that the notes had been removed from circulation, as surely as if they had been destroyed by bank officials. \$1,500 had been lost "in a fire in the Mountains"- apparently this was considered sufficiently precise - and another \$1,000 in a fire in a rail car at Sudbury. The Union Bank had been credited with \$10 for a note which it had been able to prove had been destroyed.<sup>(85)</sup> Courtney's advisers in the justice department agreed that the latter two claims were sufficiently well established that the notes were no longer outstanding within the meaning of the law, but were not prepared to concede the \$1,500 burned in the mountains. As for the unclaimed balances, the justice official alleged that since

the sum involved was only \$180.46, and the liquidator would be better off just paying it than proceeding to court.<sup>(86)</sup>

As of 12 January 1897 only \$6,115 remained in circulation, excluding, apparently, the contentious \$1,500 burned in the mysterious fire in the mountains. By this time, the liquidator, now W. Hespeler, was no longer redeeming notes. The finance department had taken over responsibility for the remaining circulation, having sufficient funds from the former bank's deposit to redeem all notes still outstanding.<sup>(87)</sup> [FN 5] Of course many notes had been irretrievably lost by their holders and would never be presented, making this a very attractive arrangement for the finance department. Even so, Courtney was still demanding the \$1,500 which the late bank had written off its circulation account, and what he considered to be the finance department's share of unpaid balances which had not, after all, been meekly surrendered as advised.<sup>(88)</sup> The amount of the latter, \$589.49 in outstanding cheques and deposits, was promptly paid up. The \$1,500 was not.<sup>(89)</sup> By this time the notes of the Commercial Bank were coming in so slowly that only \$850 were redeemed by the government in a two year period from February 1897 to February 1899, out of the far more than adequate deposit paid for the purpose by the liquidators.<sup>(90)</sup> Finally the government sued the liquidators for the \$1,500 written off the circulation account, won the suit, and on 31 March 1900 received its final payment out of the estate, \$1539.95. (The extra \$39.95 may have represented legal costs assessed against the losing side.)<sup>(91)</sup> As late as 1954 the finance department still held \$328.36 against unpaid balances, represented

FN 5. Before the Bank Act revision of 1891 the government took no hand in note redemption. This was entirely left up to the liquidators, who announced some distant date as the deadline for presentation of notes. Subsequently any notes not presented became worthless.

by 114 very small claims.<sup>(92)</sup>

Of course the note holders could lose nothing, in this first bank failure after the Bank Circulation Redemption Fund guaranteed redemption of chartered bank notes. The liquidators were able to obtain sufficient funds to refund all deposits. The shareholders lost heavily, however, being liable for as much again as the par value of their shares under the double liability provision, which was exercised to the maximum. Of course not all shareholders were able to meet all double liability calls made upon them, and these lost any portion that might have refunded in the course of liquidation.<sup>(93)</sup> The long process of winding up the bank was nearly finished late in 1903, and Hunter Cooper stated that shareholders had received \$36 on each \$100 share, with the prospect of an additional final dividend of \$7 to \$9.<sup>(94)</sup> The Bank Circulation Redemption Fund was not entered to obtain funds for note redemption [FN 6], in spite of the finance department's attempt to do so in the face of stiff opposition from the banks. Apart from the lawyers involved, there was one institution which profited by this bank failure. It was the federal government. It appears that it extracted \$7,615 from the liquidators to redeem the outstanding circulation. On 22 June 1927, \$1,557.50 in Commercial Bank notes disappeared forever by cremation. (The odd figure resulted from half of a \$5 note being redeemed, *pro rata*, in 1902) An additional \$30 was retained as samples, of which more will be said later.<sup>(95)</sup> While the difference will appear forever, one assumes, as a liability of the government, it will never be called upon for payment, and even if it were, the amount would be so diminished by over a century of inflation that most of the original liability has vanished already. [FN 7] The existence of exactly \$5 of unredeemed Commercial Bank of Manitoba circulation is known today. There is no risk of its being presented for redemption. The other nearly \$6,000 probably ceased to exist for one reason or another over a century ago. It would be truly wonderful if even one more note still exists.

Some of the structures in which the Commercial Bank and its branches did business continued to be used as banks. The Union Bank of Canada leased the former head office in Winnipeg, and The Bank of Montreal took over the premises at Fort William. One of the employees, Hunter Cooper, worked as a clerk from the time the bank opened, becoming accountant at head office about the beginning of 1891. He then became accountant for the liquidators, and seems eventually to have become the

last liquidator, who closed up the case. Other employees went into, or returned to, private banking. Duncan McArthur (the other one, the branch manager at Emerson) was said to be going back into private banking at Selkirk.<sup>(96)</sup> Another former employee, James Morrison, brought private banking to Virden<sup>(97)</sup> but relocated about half a year later to Whitewood, Assiniboia.<sup>(98)</sup> [FN 8]

After the failure of his bank, MacArthur and his wife moved to Chicago, where they lived quietly with their daughter for a time. He died in Chicago on 20 January 1907, of peritonitis which followed an attack of appendicitis.<sup>(99)</sup> In his final years MacArthur worked on a manuscript on fur bearing animals, held in the Provincial Archives of Manitoba. It is typed on the back of stationery of MacArthur & Co., wholesale dealers in fresh, frozen and salt fish, Manitoba and Chicago, giving some suggestion of a subsequent career in business.

#### NOTES OF THE COMMERCIAL BANK OF MANITOBA

In its nine years of operation, the bank circulated two issues of its notes, each consisting of \$5 and \$10 denominations only. The first was prepared by the Canada Bank Note Company and dated May 1, 1885. This firm and its exquisite work have been thoroughly chronicled by Christopher Ryan and Walter Allan in the 1998 CPMS annual *Journal*. The \$5 features an Indian encampment scene, and the \$10 a harvesting vignette, particularly appropriate for a Manitoba bank.

The notes were signed by A. A. Jackson (manuscript), the accountant, and D. MacArthur (engraved). Ordinarily the left signature space would be designated "cashier" (general manager), but on the 1885 notes it is merely marked, "countersigned". Since MacArthur was initially both president and general manager, it would not do for his signature to occur twice on the notes. That is no doubt why the accountant was selected to apply the countersignature.

British-American Bank Note Co. produced the 1891 issue. The vignettes are more typical of the period, with the bank's head office shown at the left and MacArthur's portrait at the right of both denominations. Both also employ agricultural themes for the central vignettes, the \$5 with a reaping scene and the \$10 with ploughing. For this issue the signature spaces have the customary designations "Cash" and "Pres", with MacArthur's engraved signature on the right, and various officers sign-

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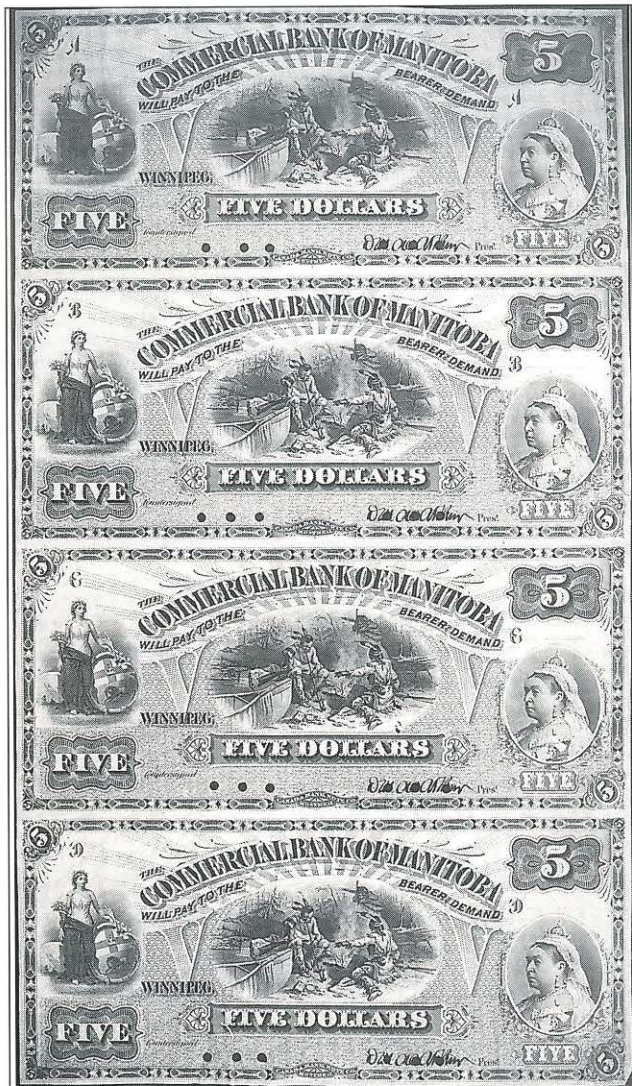
FN 6. The first incursion into the fund occurred in connection with the failure of The Bank of Vancouver over two decades later. (MT 9 Feb. 1917 p 22)

FN 7. The figures quoted here do not quite result in the \$5,897.20 given as the outstanding circulation at present. Interest payable for the short time in 1893 when notes were not being redeemed, plus additional redemptions since 1927, may account for the small discrepancy.

FN 8. Cecil Tannahill recorded Morrison's subsequent career in his *Banks of Saskatchewan*, page 120.

ing on behalf of the cashier. On the surviving examples are found the signatures of Robert Adamson, Virden manager, and A. H. Dickens, Fort William manager.

All notes of this bank are of the utmost rarity. One of each of the four types is exhibited in the National Currency Collection. One other, the only uncanceled example, is an 1885 \$5, privately owned by a Manitoba collector. It was illustrated in colour on the first page of the April 1997 issue of the *Canadian Paper Money Newsletter* after being repatriated from Singapore. Those five represent the extent of the known surviving



Commercial Bank of Manitoba \$5 Proof, Sheet ABCD

issued notes. Proofs exist but they also are far from common.

The four notes in the National Currency Collection were saved from incineration in 1927. It is painful to record that on 22 June 1927, \$1,557.50 in Commercial Bank of Manitoba notes were cremated, but one example of each type was retained for record purposes by the cur-

rency branch, federal department of finance. These survivors are now on display at the Bank of Canada museum. All have been cancelled, their backs rubber stamped "finance department/ (date) / Dominion Stock / Canada". The dates vary but are in the 1906 - 1907 range. The notes also are heavily marked by multiple rubber stamps and additional manuscript notations on their faces.

#### REGISTER OF SURVIVING NOTES OF THE COMMERCIAL BANK OF MANITOBA

\$5	1885	Jackson - MacArthur 10689/D (Cancelled) National Currency Collection
\$5	1885	Jackson - MacArthur 11285/B Private collection
\$10	1885	Jackson - MacArthur 00168/B (cancelled) National Currency Collection
\$5	1891	Adamson - MacArthur 02402/B (cancelled) National Currency Collection
\$10	1891	Dickens - MacArthur 02211/A (cancelled) National Currency Collection

#### DIE NUMBERS FOR COMMERCIAL BANK OF MANITOBA VIGNETTES

##### Issue of 1885

\$5	left Ceres Canada BN. V-9 (BABN 348)
\$5	centre Indian camp V-8 (BABN 346)
\$5	right Queen Victoria Canada BN P-1 (BABN P 118)
\$10	right Prairie Canada BN V-10 (BABN 349)
\$10	left Ceres Canada BN. V-9(BABN 348)

##### Issue of 1885

\$5	centre Binder BABN 277
\$5	left Bank building BABN 275
\$5	right D MacArthur BABN P107
\$10	left Bank Building BABN 275
\$10	centre Ploughing BABN 304
\$10	right D MacArthur BABN P 107

#### Commercial Bank of Manitoba Plates

\$5	1885 ABCD
\$10	1885 ABCD
	1891 Plate
\$5	ABC, \$10 A

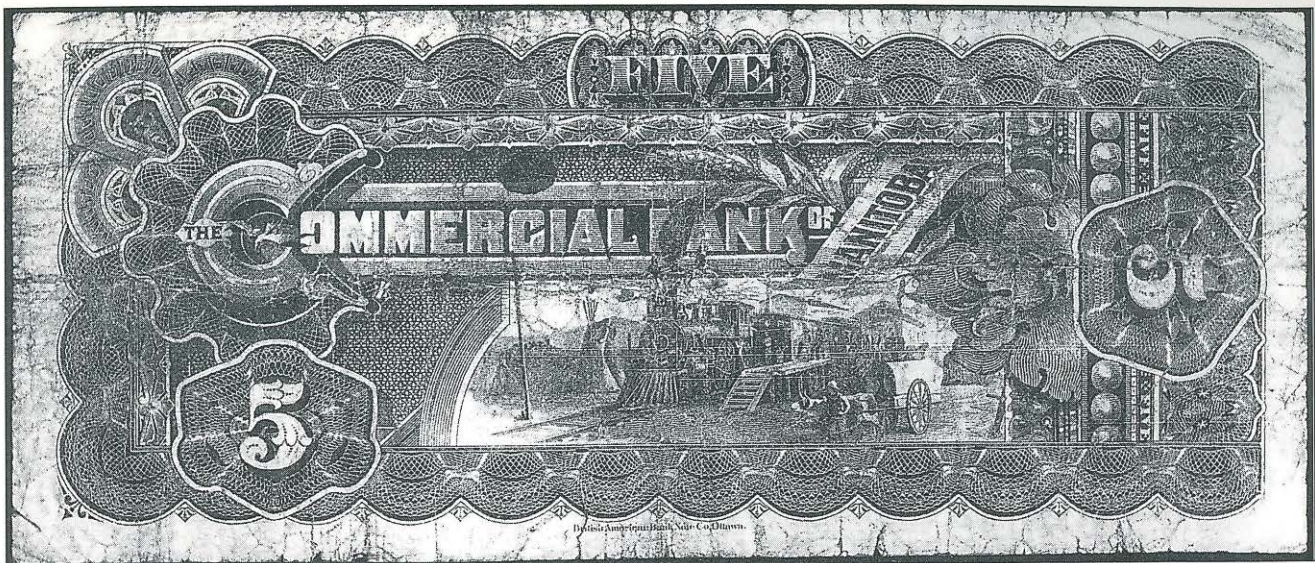
#### ACKNOWLEDGMENTS

It is a pleasure to acknowledge the cooperation of the courteous and professional staff of the Public Archives of

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17. MT 26 June 1885 pp 1453, 1454
18. MT 28 Aug. 1885 p 240
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20. MT 23 Apr. 1886 pp 1214 - 1215
21. MT 11 June 1886 p 1420
22. MT 4 June 1886 p 1382
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37. MT 28 Sept. 1888 p 352 and 5 Oct. 1888 p 380
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Commercial Bank of Manitoba \$5 1891. Back. Bank of Canada Coll'n.

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|-----|--|-----|--|
|     | M.Courtney, 21 Sept. 1893  |     | Courtney, 8 Apr. 1897  |
| 68. | MT 22 Sept. 1893 p 358   | 87. | NAC RG 19 v 403 f 616.12, Hespeler and Cooper to Courtney, 3 Feb. 1899 |
| 69. | NAC RG 19 v 403 f 616.12, Courtney to Ferguson, 16 Oct. 1893,          | 88. | NAC RG 19 v 403 f 616.12, Courtney to liquidators, 27 Feb. 1899        |
| 70. | NAC RG 19 v 403 f 616.12, Courtney to Hague, 18 Oct. 1893              | 89. | NAC RG 19 v 403 f 616.12, Liquidators to Courtney, 3 Mar. 1899         |
| 71. | NAC RG 19 v 403 f 616.12, Plummer to Courtney, 18 Oct. 1893            | 90. | NAC RG 19 v 403 f 616.12, Courtney to liquidators, 7 Mar. 1899         |
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| 76. | NAC RG 19 v 403 f 616.12, Wilkie to Courtney, 24 Oct. 1893             | 95. | NAC RG 19 v 3485 Cremation certificate                                 |
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| 84. | NAC RG 19 v 403 f 616.12, Courtney to liquidator, 5 Feb. 1897          |     |  |
| 85. | NAC RG 19 v 403 f 616.12, Macdonald et al to Courtney, 15 Mar. 1897    |     |  |
| 86. | NAC RG 19 v 403 f 616.12, Newcombe to                                  |     |  |



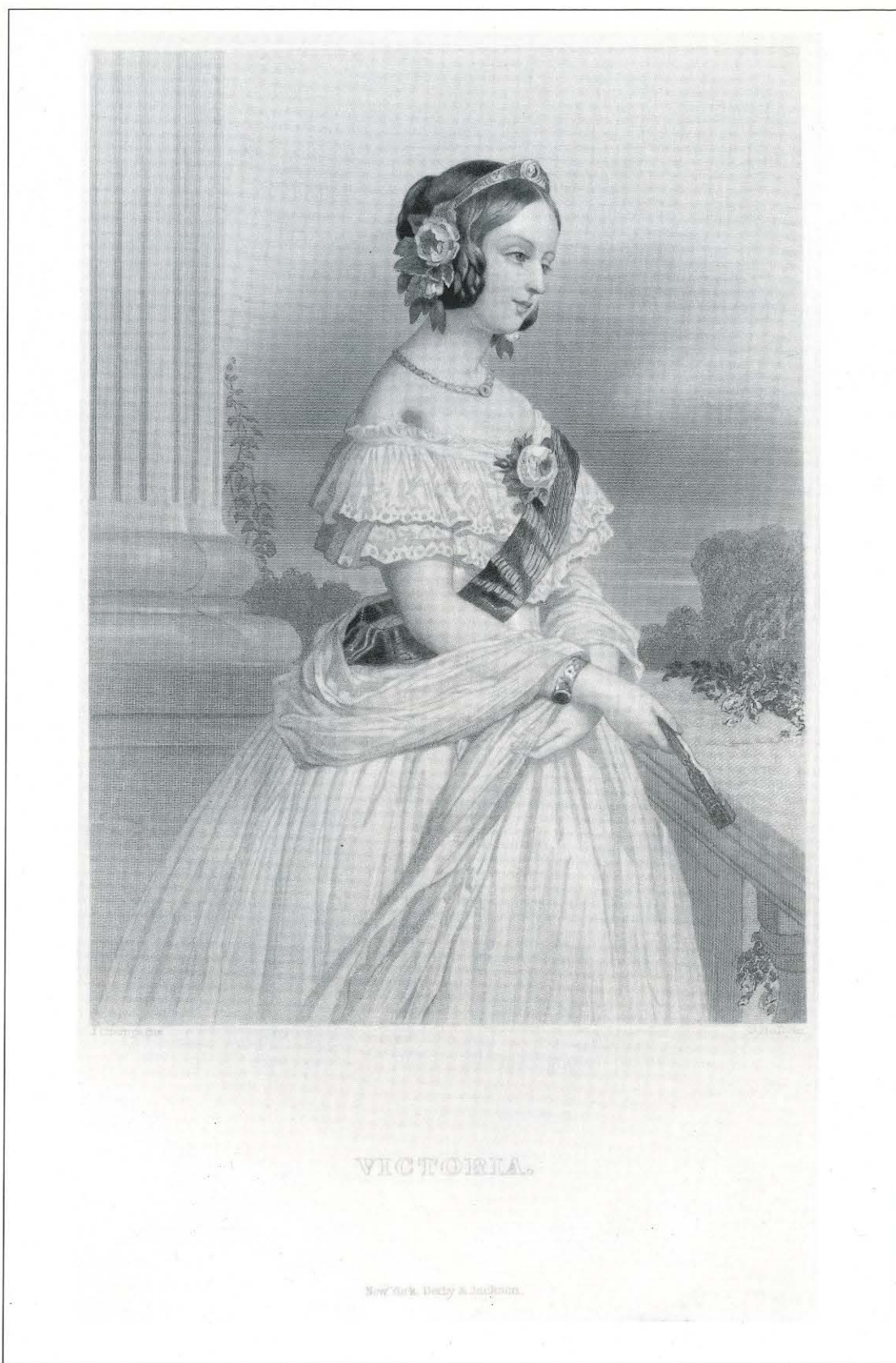


Figure 1, Engraved Plate from "Women of beauty and heroism etc." Derby & Jackson NY 1859. W. D. Allan Coll'n.



Close-up from Figure 1 of Victoria by Hollyer

## Origin of Bank Note Vignettes XVII Queen Victoria

Walter D. Allan FCNRS

A favourite portrait of 19<sup>th</sup> century engravers was Queen Victoria. She was engraved in numerous costumes and poses for use on stamps, banknotes, and for book illustrations, especially for countries of the British Empire and The United States of America. Her portrait appears on many bank notes of Canada. One unique engraving can be seen on the \$2 and \$10 notes of the Bank of Upper Canada, green issues of 1859.

This portrait was painted by a Mr. J Champagne. Information about this artist has not been found. The painting was engraved by Mr. S Hollyer. He was born in England in 1826 and later became a pupil, to learn engraving, of the Findons of London. They were publishers of many books illustrated with numerous engravings. He went to the United States in 1851. Some of his better engraved plates were "Charles Dickens in his Study" and "The Gleaner". The engraving by Hollyer shows a young Victoria, probably about the time of her coronation, standing by a balcony looking out over the countryside. (figure 1 & back cover)

Alexandrina Victoria was born on the 24<sup>th</sup> of May 1819, daughter of Edward, Duke of Kent, the fourth son of King George III, and his wife Victoria Maria Louisa of Saxe-Coburg, Dutchess of Kent. Victoria became Queen



Figure 2. Die proof engraving of Victoria By Rawdon, Wright, Hatch & Edson NY.

on June 20, 1837, on the death of her Uncle King William IV, and was crowned in Westminster Abbey on June 28<sup>th</sup>, 1837. She married her cousin Prince Albert of Saxe-Coburg on Feb, 10<sup>th</sup>, 1840. This union produced nine children. Prince Albert died in 1861 leaving a grief-stricken Queen. She ruled for another 40 years and passed away in 1901, ninety-nine years ago.

The engraving by Hollyer was done about 1857 and was published in a book "Women of Beauty and Heroism from Semiramis to Eugenie. A Portrait Gallery of Female Lovliness, Achievement and Influence".

It was by Frank B Goodrich, published by Derby & Jackson in New York in 1859. The bank note engraving was executed for Rawdon, Wright, Hatch & Edson, NY, as seen on this die proof engraving. (Figure 2) It was quickly selected by either the Bank or Bank Note Co to be used on the new issue \$2 and \$10 notes of 1859 and subsequent Toronto issue of 1861. The engraving can be found on the bottom left corner of the notes. (figures 3 & 4). With careful examination, the name "Victoria" can be found beneath the engraving while a Royal crown rests above it. (figure 5) The notes have the dual imprint of Rawdon, Wright, Hatch & Edson, New York (RWH&E) and American Bank Note Company. The plates were ordered from RWH&E in March of 1858. The plates were



Figure 3. Bank of Upper Canada \$2 with Victoria Portrait at left.

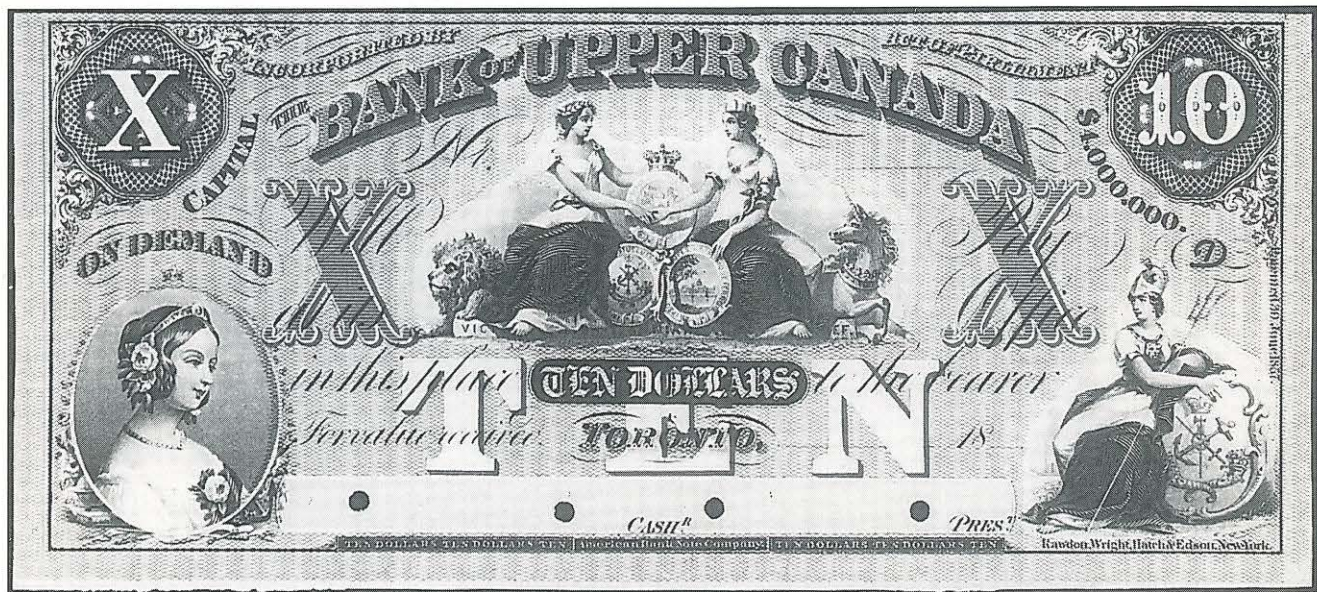


Figure 4. Bank of Upper Canada \$10 with Victoria Portrait at left.



completed just after the formation of the American Bank Note Co., so they bear the dual imprints of RWH&E and ABN. The first printing of the notes was done in January 1859.

We then have another source for a bank-note engraving. Please forward any additional information about the painting or its use on bank notes to the author.

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◀ Left, Figure 5. Close-up of Victoria Portrait on \$2 & \$10

## THE MYSTERY OF THE GRENVILLE COUNTY BANK AND ITS NOTES

by James A. Haxby, FCNRS and Walter D. Allan, FCNRS

Some twenty years ago, on the occasion of the Interpam show in Toronto in 1981, a souvenir sheet was issued bearing an intaglio image from the main face plate of the \$1 note for one of Canada's most enigmatic banks. The sheet created something of a sensation. While it was known<sup>1</sup> that an unsuccessful attempt had been made in the 1850s to establish a bank in Prescott (Canada West) called the Grenville County Bank, the fact that it managed to have a bank-note plate engraved was not known. The bank's \$1.2.5.10 intaglio plate had been resurrected from the plate vaults of the American Bank Note Company in New York and used as the source of the handsome \$1 printed in black on the souvenir sheet. But the discovery of the intaglio plate left more unanswered questions. Were any printings made from the plate at the time the bank was organizing? If so, were any sent to Canada, and did any survive? A partial answer to these questions would not come until 1997, when WDA reported information from a bank-note company record book entry, showing that circulation printings were indeed made in late 1856.<sup>2</sup> Now, almost one hundred and fifty years after their printing, we have at hand a single example of an unsigned remainder note of each of the four denominations intended to circulate for this bank.

The notes for the Grenville County Bank were engraved and printed by one of the best bank-note companies of the day, Wellstood, Hay & Whiting of New York. This company originated in early 1856 as the culmination of a series of partnerships begun in 1848 and was among the seven companies to merge to form the American Bank Note Company in 1858.<sup>3</sup> By the latter part of 1856 the Wellstood company was producing notes of high technical quality, and the Grenvilles are fine examples. Their vignettes are quite attractive, even if all but the portraits of Jacques Cartier (on the \$1), Albert, Victoria's beloved deceased Consort (on the \$5) and Winterhalter's Queen Victoria (on the \$10) were engraved for U.S. notes.<sup>4</sup> Observe that the striking steamboat on the \$5 is flying a U.S. flag. And we can't fail to point out that the fellow in the floppy hat on the \$2 is Columbus (after a portrait by Parmigiano).

What really sets off the blue-black images of the intaglio face plate, though, is the straw-yellow non-

intaglio background tint. This tint was laid down using an oil-printing process and covers the paper surface with a flat, continuous color, except where deliberate voids were introduced. These voids, which allow the white paper to show through, consist of the denomination in small words repeated many times and in one large word in the lower center of each note. The technology on which this tint was based was patented in 1856 by C.D. Seropyan of Connecticut and leased to the Wellstood firm. The intaglio design for each denomination contains the statement, "SEROPYAN'S PATENT, 1856". The Grenville notes are the only Canadian example of this interesting process. The details of Seropyan's patent, as well as certain other security innovations seen on Canadian notes of the mid-1850s, are discussed in a separate paper.<sup>5</sup>

So where do things now stand regarding the mystery of the Grenville County Bank and its notes? To date we still have no evidence that the bank was fully organized, received notes and went into operation. The notes illustrated in this paper are from a single remainder sheet, printed on standard bank-note paper using a special Seropyan tint and normal intaglio printing. There is no reason not to believe that the sheet was printed as part of (or at least simultaneously with) the thousands of Grenville notes printed in late 1856<sup>6</sup> and already reported by WDA. We do not know the details of the single sheet's surfacing with certainty, but it seems to have come from descendants of the bank's organizers in the Prescott area. That in itself is quite interesting if true. If the bank had fully organized as a "free" bank, the normal course of events would have the bank-note company ship the notes to the Inspector General's Office, which would then countersign and issue them to the bank in exchange for securities.<sup>1</sup> Years ago JAH looked carefully and found no evidence that any such shipments ever took place. The fact that the four known notes bear no countersignatures is entirely consistent with their not having gone through the Inspector General's Office.

More recently, we have unearthed one other key piece of information, not at hand when WDA published the printing data from the engraving and printing journal. It comes (or rather, doesn't come) from a second, companion account book, a ledger<sup>7</sup>, dealing exclusively with the shipment of bank notes by the Wellstood firms for Jan., 1853 through June, 1859. Not a single entry for the Grenville County Bank appears in this ledger. If Gren-



Grenville County Bank \$1



Grenville County Bank \$2

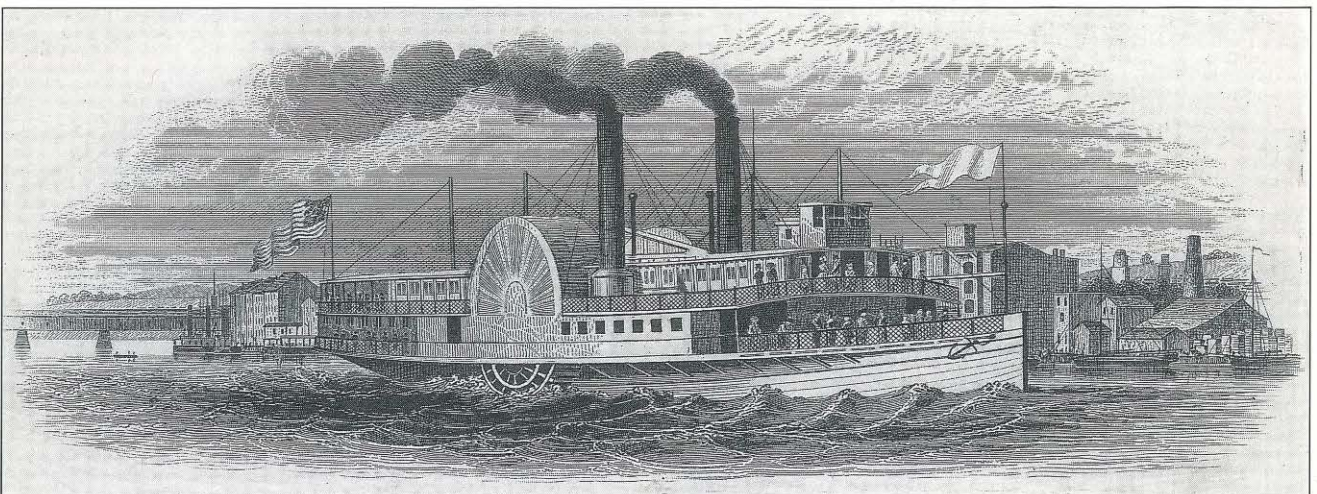


**Grenville County Bank \$5 with "Seropyan's Patent Tint"**

ville notes were shipped (at least in any quantity) to Canada, they clearly should have been entered there. This is very suggestive that something happened to cause the bank-note company to draw back and hold the notes after they had been printed. Perhaps they received news from Canada that the bank could not raise the necessary capital due to the general economic downturn early in 1857. **In conclusion:** a single sheet of remainder notes (now cut into single notes) from the Grenville County Bank has surfaced. Available evidence suggests that this sheet was most likely sent as a sample, direct from the bank-note company to the organizers of the bank, who probably saved it as a souvenir when the bank's organization failed to come to fruition. Presumably, the other notes were held by the printers, only to be destroyed later. Only time will tell if the four known notes prove to be unique, but they could well be. In any case the existence of these fascinating notes demonstrates how close this bank must have come to full organization and encourages us to strive to discover more about its mysteries.

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\$5 Grenville County Bank Paddle Wheeler with American Flag.

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