

1867.

BANK OF MONTREAL.

ANNUAL GENERAL MEETING,

HELD 3rd JUNE, 1867.

(From THE GAZETTE of 4th June, 1867.)

The annual meeting of the Shareholders of the Bank of Montreal was held at the banking house in this city yesterday. T. B. Anderson, Esq., the President in the chair.

In opening the meeting,

Mr. Anderson said,—It is once more my privilege to congratulate the shareholders on the result of the business of the past year, the profits of which, I am happy to be able to say, have proved to exceed the expectations I had formed of them.

The profits of the financial year, lately terminated, are found not only to equal but to exceed those of its immediate predecessor, as you will hear more particularly set forth in the Report which has been prepared for your information, and which I shall ask the General Manager to be good enough to read.

It was moved by James Court, Esq., seconded by R. Moat, Esq.,—"That the following gentlemen be appointed to act as scrutineers: W. B. Cumming, Esq., Thomas Cramp, Esq., and that R. A. Lindsay, Esq., be the Secretary of this meeting,

The following report was then read by E. H. King, Esq., the General Manager:

ANNUAL REPORT of the Directors to the Shareholders of the Bank of Montreal at the 49th Annual General Meeting held 3rd June, 1867.

The Directors have pleasure in presenting to the shareholders the 49th Annual Report, accompanied by a statement of the result of the business of the year ending 30th April last:

The balance at credit of Profit and Loss account on the 29 Apr., 1866, amounted to... £ 3,314 14 7 \$ 13,256 93
Profits for the year ending 30th April 1867, after deducting charges of management and providing for bad and doubtful debts.... 225,519 18 3 906,079 64

£229,834 12 10 919,338 57

From which has been taken:

Dividend 5 per cent paid Dec., 1886..... £75,000

do 5 per cent payable June 1867..... 75,000

Addition to "The Rest"..... 75,000

225,000 900,000

Leaving a balance of £ 4,834, 12 10 \$ 19,338 57

Carried forward to the credit of the profits of the current year.

This result has been obtained, after providing the full amount of all debts known to be either bad or doubtful.

The prolonged high rate of interest in England, during the earlier period of the Bank's financial year, afforded an unusual opportunity for the profitable employment of the Bank's funds, both in England and Canada; and the general prosperity of the country during the remainder of the year, contributed to the result now submitted.

During the last Session of the Provincial Parliament an "Act to provide for the issue of Provincial Notes" received the sanction of the Legislature. Under its provisions the Directors have entered into an agreement with the Government for the surrender of the right to issue Notes, and also to act as Agents for the circulation of the Notes of the Province.

This agreement is terminable after six months' notice, upon the part of the Bank or the Government.

T. B. ANDERSON,
President.

GENERAL STATEMENT.

	LIABILITIES.	
Capital Stock	£1,500,000	\$6,000,000
Circulation,	£247,071 10	\$ 988,286
Deposits, -	2,799,707 17 11 -	11,198,831 58 -
Dividends un-		
claimed, -	7,760, 16 1 -	31,043 22 -
Half yearly di-		
vidend of 5		
per cent, 1st		
June, 1867, -	75,000	300,000
	£3,129,540, 4	\$12,618,160 80
Rest - -	512,500	1,200,000
Balance of		
profits carried		
forward	4,834, 12 10	19,338 57
	£4,946,874, 16 10	\$19,787,499 37
	ASSETS,	

Gold & Silver coin and Provincial notes, on hand.	£403,885 18 6	\$1,575,943 70
Government securities.	839,818 6 8	3,359,273 34
Balance due by other Banks.	719,741 11 11	2,878,964 23
Notes & cheques of other Banks	50,547 16	202,194 31
	£2,103,993 3 8	\$8,415,972 74
Bank premises at Montreal and at branches and agencies	87,500	350,000
Notes and Bills discounted and other debts due to the Bank of Montreal, not		

included under the foregoing heads.

£2,755,381 13 2 11,021,526 63

£4,946,874 16 10 \$19,787,499 37

E. H. KING, General Manager.

Bank of Montreal, Montreal, 30th April, 1867,

MR. ANDERSON—The report you have heard read seems to me of a character so satisfactory that I cannot doubt it will be highly gratifying to every shareholder, and meet your cordial approval; and in that view, deeming it wiser to rest satisfied with the present than to hazard speculative conjecture in regard to the future. I shall, without further remarks ask you to move the adoption of the report.

Moved by Dr. Campbell, seconded by Wm. Molson, Esq.,—"That the Report of the Directors, now read, be adopted, and printed for distribution among the shareholders.

Moved by John Crawford, Esq., seconded by J.H. Joseph, Esq.,—"That the thanks of the meeting be presented to the President, Vice-President, and Directors, for their attention to the interests of the Bank.

Moved by T. M. Taylor, Esq., seconded by Thos. Workman, Esq.,—"That the thanks of the meeting be given to the General Manager, the Managers, Agents and other officers of the Bank, for their services during the past year.

Moved by D. L. MacDougall, Esq., seconded by Thos. Cramp, Esq.,—"That the ballot now open for the election of Directors, be kept open until three o'clock and no longer, and that until that hour, and for that purpose only, this meeting be continued.

Montreal, 3rd June, 1867.

Sir, We the undersigned, hereby declare the following gentlemen duly elected Directors of the Bank of Montreal for the ensuing year:

T. B. Anderson, Esq. T. E. Campbell, Esq.
E. M. Hopkins, Esq. J. G. McKenzie, Esq.
John Redpath, Esq., Hon. John Rose,
Hon. Thos. Ryan, Henry Thomas, Esq.

David Torrence, Esq.

We remain, Sir,

Your obedient servants,

W. B. Cumming, } Scrutineers.

Thos. Cramp, }

To E. H. King, Esq., General Manager
Bank of Montreal

We publish to-day an important memorandum from the Bank of Montreal on its conduct, policy, and views of banking and currency:—

Minute of special meeting of the Board, held 4th November, 1867

The Directors, at their weekly meetings have had their attention drawn to the discussions in the public press, with reference to the course pursued by the General Manager, as well in the recent negotiations with the Commercial Bank, as in the general business transactions and policy of this Bank; and they think it due to the Institution, and to the General Manager, to place their views on the minutes of the Board, as well for the purpose of removing future misconception, as in vindication and approval of the conduct of their chief officer.

They desire emphatically to state that both the Directors and General Manager in the negotiations which preceded the stoppage of the Commercial Bank, were actuated by the desire to avert the calamity in so far as was consistent with the safety of their own Shareholders. This Bank had contributed, and was ready further to contribute, such measure of relief as the Directors considered to be within its ability to afford; but in view of the circumstances which had come to their knowledge, they believed that they would not have been warranted in surrendering the securities they held for their first advance of \$300,000, or in making a further advance on less satisfactory security. They were, and still are, of opinion that any contribution by the several banks should have been on the basis of liability to the public, and not on the basis of capital; and had such a principal been acquiesced in, the General Manager and his Board would have been ready to have considered favourably an application that this bank should extend its first advance, to supplement its full proportion of aid.

With reference to the balance of about \$35,000, of which the bank obtained payment from the Commercial bank, on the day previous to its suspension, it is beyond all question the fact, that the advance of \$100,000 was made by the Bank of British North America, for the express purpose of meeting the bank balance of that day. So clearly was this understood, that the bank making the advance retained the sum then due to it out of the amount agreed to be given, and the other banks having balances against the Commercial were paid by cheque upon the same fund. The Directors therefore consider that the officers of this bank would have been derelict in their duty, had they, after becoming aware of this special provision, allowed the balance due in settlements at Montreal to stand over for the day.

The large number of Agencies of this bank throughout the Province, are all points at which the notes and cheques of other banks may be received, and the considerable sum to which even one day's receipts of the paper of any one bank may amount, is illustrated by the fact that this bank holds over \$100,000 of unpaid bills and cheques of the Commercial bank, as the result of the oper-

ations of the day which preceded its suspension.

It behoved, therefore, the executive officers of this bank, in a time of general distrust on the part of the public, to be specially watchful lest larger sums than represented the customary and legitimate operations of the day, should be thrown on its hands by the public, in the shape of notes or cheques of other Banks, and the risk so transferred by the public to this Bank. While a confidential caution (which, unfortunately was misunderstood by one or two agents in the West) was properly conveyed by the General Manager to the various Agents, to be careful that the bills or cheques of Banks in which the public might have lost confidence, should not be unduly saddled on this Bank, there existed an anxious concern that the prudential action of the Bank should be exercised by its officers in the most cautious manner, and also a desire to mitigate and check the effect of any such distrust arising throughout the country, so much so that the General Manager offered to place, and actually did place, at the disposal of the Bank, in regard to which the chief distrust seemed to point, transfers of money by telegram from New York, Montreal, and Toronto, to several agencies where the funds were more urgently needed, and was further ready to supplement this assistance by the discount of bills receivable, in Montreal, if required.

In this proceeding the General Manager was actuated by a prudent foresight to guard the Bank of Montreal against loss at remote points, from a possible panic on the part of the public, which this Bank had no concern in bringing about, but which, on the contrary, it did its best to prevent. Whatever difference of opinion may exist, (now that the peril has passed) as to whether the apprehension and caution of the Bank of Montreal were or were not warranted at the time, it is hardly necessary towards reasonable men to disclaim any intention on its part of injuring other Banks, for the Board is sensibly alive to the fact that the general distrust and loss of confidence which would have followed the discredit of those Banking Institutions, must have re-acted immediately and most injuriously on the extended interests of which they are the guardians.

The Directors and General Manager wholly disclaim the desire attributed to them, of wishing under any circumstances to menace, or in any way to interfere with other institutions, or to place their mutual transactions on any other than a proper business footing.

They desire to give every facility for the settlement of balances, and will be prepared, as they have been in the past, so far as their resources and the legitimate claims of their own customers will warrant, to co-operate in any plan for the entire restoration of confidence throughout the country.

—With this view, the Directors, since the Commercial Bank ceased active operations, have sanctioned the granting of unusually large facilities throughout Western Canada in order that the move-

ment of its products may not be unseasonably delayed.

The Board deeply regrets that so much misconception should exist in reference to the action and policy of the Bank and its chief officer; but it must be apparent that they stand in a peculiar position, owing to the twofold basis on which the circulation of the country now rests, the one on the resources of the Banks themselves, and the other on the credit of the Government. To this state of affairs the Bank has now to accommodate its operations.

It should be kept in view, and the Directors believe this fact has been lost sight of, that the Bank of Montreal having ceased to issue notes of its own, in receiving the notes of all other Banks at its various Agencies, is far more exposed to loss in times of danger than are other Banks, for it daily becomes possessed of large amounts of their circulation, where as these other Banks, on the contrary, incur no corresponding risk as regards the Bank of Montreal, whose issues are based on the specie reserve and the credit of the Government, a fact which calls the greater caution on the part of the officers of this Bank.

The policy of the Bank in Western Canada, not only since the passage of the Provincial Note Act, but for some few years previously, has exposed it to much unfavourable criticism. This is due to the fact that the Bank, upon reviewing the position and nature of its business in the winter of 1862-3, came to the conclusion that the system of advances in Western Canada was thoroughly unsound; a very large proportion of the business was based upon accommodation paper, which had been sustained from year to year under the old system of banking by the facility and temptation of maintaining a large note circulation. The directors felt that assets of that description were a source of great weakness and ultimate loss, besides being utterly deceptive as a resource from which to obtain strength to meet any unusual demand for money, caused either by any sudden withdrawal of confidence on the part of the public, or by the increasing and legitimate mercantile trade of the country, which was becoming more and more developed from year to year, and which afforded a far more attractive beneficial employment for the funds of the Bank.

The directors did not conceal from themselves that the banking system which had so long been praised was very defective, and they resolved steadily to persevere in the process of eliminating a class of business, which was neither advantageous to the country, nor profitable to the Bank. It was for the time a painful and costly operation, and the enormous losses of the Upper Canada and Commercial Banks, which astonished the public, could easily be understood by the Directors, of the Bank, which during the years 1863-6, appropriated over a million of dollars for bad and doubtful debts, almost the entire amount of which was lost in extricating this Bank from the system of business which had so long prevailed in Western Canada.

The Directors believe that the course which they and the General Manager have followed, is the most conducive to the safety of the community, as well as to the interests of the Shareholders, and one by which the Institution is enabled to lend the greatest facilities to the legitimate operations of commerce, without impairing the strength and resources of the Bank by unsafe expansion, and they have some confidence that public intelligence and discrimination will in the end sustain their views.

Certified,

T. B. Anderson,

President.

On the passing of the foregoing minute, the General Manager submitted the following statement of his views, which the Board considered it desirable to publish in conjunction with their minute:--

MEMORANDUM.

The Bank of Montreal was not called upon to express approval or disapproval of the Provincial Note Act of last session. As originally introduced, the Act offered equal terms to such Banks as were willing to avail themselves of its provisions and was framed to admit of sufficient expansion to replace the issues of all the Banks, if they had considered it their interest to adopt it. The Act as finally passed, contained a limitation of the issue to \$8,000,000, which necessarily restricted its operation.

After the passage of the Provincial Note Act the Bank of Montreal decided to meet the views of the Government, by redeeming its own note circulation, and substituting the Provincial Notes, thereby enabling a very large amount of the floating indebtedness of the country to the Bank itself and the English Fiscal Agents to be met without delay.

In view of the suspension within a short period, of two of the largest Canadian Banks; the heavy losses sustained by Government as well as individually; the many wild and mistaken ideas that prevail with regard to the questions of Banking and Currency; and looking also at the near approach of the expiration of Bank Charters in 1870, the General Manager thinks the present a favourable opportunity for stating, that in his opinion a preference should be given hereafter to a system of Banking, under which the note circulation of the Banks of the country should be entirely based

upon Government securities; that deposits should at all times be protected by a proper reserve, fixed by law; and that upon the failure of any Bank to redeem its notes or other obligations in coin or legal tenders, its assets should be at once vested in a Government officer, whose powers should be ample for making immediate calls upon the shareholders, to the extent of double their liability, and taking such further steps for the speedy realization of the assets, as would place the interests of the creditors in their proper point of precedence over those of the shareholders.

Under such a system, the issues of Government notes in the shape of legal tenders, if permitted at all should be restricted to a fixed sum, which should not exceed the amount of coin that would otherwise be required to form the needful reserve for deposits and internal exchanges. This economy in the use of coin would directly benefit the Government, and admit of a reserve of specie, greater than is at present provided, for the purpose of securing at all times the payment of such legal tender issue in coin. Beyond the point indicated, the direct issue of Government notes would tend to depreciate those of the Banks, which, though equally secure, would not be legal tender, and would eventually lead to the establishment of a controlling Government Bank of issue, subject to all the exigencies of political and party strife.

The General Manager believes that the interest of the country will be best served by the diffusion of Banking interests in different localities, leaving to the greater Banks in a large measure, the care of the mercantile and foreign trade of the country, and to lesser, in their own districts, the care and support of local enterprise. He sees no reason why, under such a system there should not be perfectly freedom and equality in Banking, nor any reason why the greater and smaller Banks could not exist in harmony each class, within its own sphere, contributing to the general prosperity.

The General Manager cannot under a system, whereby the note circulation and deposits would be secured, see any objection to the establishment of a local Bank in every county, if thought desirable; nor any good reason why every such Bank might not become a Government depository for receiving the public

revenue, and remitting the same at stated intervals to the seat of Government, where the general banking account would necessarily be concentrated. Under this system the Government would receive the benefit of the banking issues of the country, at a reasonable rate of interest, and would, in addition, receive without cost, the amount represented by the economical use of a limited amount of legal tenders as already indicated.

The gravest objection to the proposed system that might come from those who desire at all hazards to give greater security to the public than exists at present, would be the apparent want of elasticity to meet the large increased demand for currency at certain seasons of the year. The General Manager believes that the banks would invest almost their entire capital in Government securities with which to obtain circulating notes. The natural movement of the circulating medium would ensure contraction at one period and expansion at another. The Banks could afford, under such a system, receiving interest as they would on the Government Securities representing their circulation, to keep a portion of their issues idle at one season to meet the increased demand at another and where this proved insufficient, no difficulty would be found in obtaining the use, upon fair terms, of the issues of the larger banks, which would necessarily be less actively employed, than those doing business in agricultural districts.

There would, in point of fact, be a periodical movement of banking currency from east to west, from the centres to the outlying points, as there has long been in the United States.

All difficulties and objections upon this score may, however, safely be dispelled, if a system is introduced which will afford sufficient inducement for the formation of local Bank with the right of investing their capital in Government Securities bearing a moderate rate of interest, and of obtaining, say eighty per cent. thereof in circulating notes.

The General Manager, in submitting this Memorandum of the views he has long held, believes they are in the interest of the country at large, from which he considers that of the Bank of Montreal to be inseparable.

